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# BUSINESS WEEK



Promised for wartime's heavy and hungry eaters, a record hog crop — at record prices.

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## COLOR FOR RUBIES . . . BACKBONE FOR STEEL!



Chromium, the element that imparts precious color to rubies, imparts something more precious to steel. It gives steel incredible hardness and resistance to heat and corrosion. It makes steel strong, yet ductile and shock-resistant.

Chromium is the key that has opened—and is still opening—great new fields of application for steel. Without chromium, the whole wonderful series of *stainless steels* would not have been possible. From tarnish-free tableware to corrosion-resistant chemical equipment...from strong, lightweight truck bodies to streamlined trains and airplanes...from heat-defiant boiler tubes to high-temperature steam turbines...chromium has made possible a *steel* with properties of the *noble metals*.

But the stainless steels are only one great contribution of chromium. This element has also helped to provide hard, shock-resistant armor plate and armor-piercing projectiles; long-wearing engine valves; strong, tough gears, tools, ball bearings, car trucks, shafts, springs, and dies; and hundreds of other improved articles.

We do not make steel of any kind. But for over 35 years, we have made ferro-alloys and alloying metals used in steel-making. Among these are chromium, silicon, manganese, vanadium, tungsten, zirconium, columbium, and calcium.

It was our research and development that made the low-carbon grades of ferro-chromium available commercially. Without these, production of a majority of the stainless steels would have been impracticable. Inquiries about stainless and other alloy steels—their manufacture, fabrication, and use—are cordially invited.

*The progress made by Electro Metallurgical Company in the manufacture and use of ferro-alloys and in the development of alloy steels has been greatly facilitated by metallurgical research in the laboratories of Electro Metallurgical Company and Union Carbide Company; by the advances in electric furnace electrodes and techniques of National Carbon Company, Inc.; and by the broad experience in the production, fabrication, and treatment of metals of Haynes Stellite Company and The Linde Air Products Company. All of these companies are Units of Union Carbide and Carbon Corporation.*

**ELECTRO METALLURGICAL COMPANY**  
Unit of Union Carbide and Carbon Corporation



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NEW YORK, N. Y.



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innovation in employer-employee labor relations.

## "Essential" Industries

Industries which want to know where they stand as regards the wartime draft are beginning to flock to Selective Service for rulings on whether they fall into the two essential categories—"necessary to war production" or "essential to the support of the war effort."

Selective Service has issued six advisory rulings to date. Three of them cover minor emergency situations—marine pilots, civilian army fliers, Public Health reserve officers—but the others are basic industrial rulings. These point out to local draft boards the essentiality of railroad transportation, coal production, and shipbuilding. Several other types of transportation are due to get rulings soon.

Each ruling lists the occupations within the industry which are "critical" in the sense that there is a shortage of men in the occupation and that it takes some time to train new men. A ruling of this sort guides draft boards in deciding (1) whether critical men in the industry are eligible for occupational deferments, and (2) whether men in the industry who have dependents are eligible for 3-B classification, one step farther from the Army than 3-A.

## How to Find Where You Stand

Selective Service is attacking open-and-shut cases of necessary occupations first. It will work down eventually to the marginal cases. An industry which wants to get the suspense over can present the facts on its case and ask for an immediate ruling.

First job is to define the industry—as broadly as can be done while keeping it homogeneous. Generally, an industry is regarded by Selective Service as consisting of all the organizations offering a similar service and competing for about the same labor. Then the critical occupations in the industry should be laid out. Finally, a showing must be made as to the importance of the industry. Government agencies or WPB branches which have jurisdiction should be called in on this.

## See Your Local Office

A long step in decentralization of WPB's nonpolicy administrative work was taken this week in the sweeping steel conservation order. This provides that only those appeals will be considered that are filed with WPB's nearest field office. Those which can't be disposed of by the field offices will be

routed to an office set up in New York for this purpose.

Rumors that WPB's Iron and Steel Branch would be moved bodily to Pittsburgh are wrong, however. Sentiment for the move is strong, since Pittsburgh is the home town of many of the Steel Branch staff, but their wishes are outweighed by the importance of maintaining close working relations between the branch and the Army and Navy.

## Salvage on the Air

Plans for an extensive advertising campaign to salvage scarce materials are nearing the stage of final approval. WPB's Bureau of Industrial Conservation and industry's liaison group, the

Advertising Council, are handling the program.

Manufacturers will finance the advertising, particularly those who use such reclaimed materials as scrap metal, rubber, fats, and oils. The National Assn. of Manufacturers is assisting in lining up sponsors. Copy has already been prepared by a pool of Chicago talent organized by Leo Burnett, agency head.

Completion of financing arrangements and the O.K. from government officials are due shortly.

## Curb on Charge Accounts

Last of President Roosevelt's demands in his seven-point program for controlling inflation was a further curb on con-

## Roosevelt Passes Porter a Hot Potato

Paul R. Porter came from the freshwater city of Kenosha, Wis., to take over the chairmanship of the Shipbuilding Stabilization Committee. That committee came into being through action taken at the first meeting of the old National Defense Advisory Commission in June, 1940.

Just before that first NDAC meeting adjourned, William Knudsen said, "Well, gentlemen, is there anything else?" Someone reminded the group that building ships was going to be an important item in the defense program and that, in the last war, shipbuilding labor problems had been particularly aggravating.

"Yes, indeed," Knudsen is reported to have said, "let's do something about avoiding that kind of trouble, and let's do it right away. Sidney, will you take care of it?" Knudsen asked, addressing his associate NDAC director, Hillman. The result was a national shipbuilding stabilization agreement which carried separate wage clauses for the East Coast, the West Coast, and the Gulf (BW—Apr.19'41,p38).

The first chairman of the stabilization committee which administered the agreement was Morris L. Cooke. When Cooke went to Mexico as the U. S. representative on the two-man panel which was to arbitrate American oil firm claims against the Mexican government (BW—Nov.29'41,p22), Porter took his place.

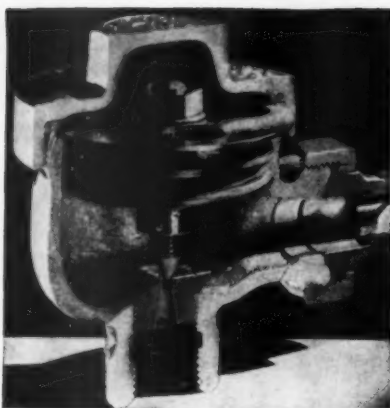
The stabilization agreement sets certain standards for employment practices and wages which are tied to the cost of living index. Porter's done a good job, and the agreement has worked well.



But this week, at a national conference of shipbuilding employers and labor in Chicago, the basic wage provisions in the agreement were being overhauled. President Roosevelt wired Porter that the wage increases called for under the agreement—which the government itself had drafted—are "irreconcilable with the national policy to control the cost of living." Porter was sweating with union officials, trying to convince them that they had to give up, as a contribution to national welfare, what the contract said they had coming to them.

It was clear that Roosevelt was losing no time nor leaving any loophole in making his anti-inflation program stick, and that Chairman Porter was the first government official called on to administer the bitter medicine to labor.





¾" Webster 781 Trap. For U. S. N. Class II pressure service. (100 lbs. per sq. in.)

## "—installation made easy"

Here is the trap for shipboard heating service... The Webster 781 Trap saves weight, space and cost—savings of first importance on shipboard.

Built to last of finest materials. Simple and inexpensive interior replacement. A new thermostatic assembly can be quickly installed in the original trap body. No need to disturb piping.

Webster 781 Traps are assuring continuous drainage plus complete and continuous air elimination on many of the outstanding ships built in such famous yards as Sun, Bethlehem, Ingalls, Cramps, New York Ship, Bath and others.

Webster products are on the job for ships of many lines—Moore-McCormack, Mississippi Shipping, American Export, Atlantic Refining and Robin, among many others.

Prompt deliveries on appropriate priorities.

For full information on Webster System Equipment for shipboard heating, write for our steam trap data book, Bulletin 1200E.

STEAM Heats  
America—

*at war!*

WARREN WEBSTER & CO., Camden, N.J.  
Pioneers of the Vacuum System of Steam Heating  
Representatives in 65 principal U. S. Cities : Est. 1888

sumer credit. The Federal Reserve, almost ready at that time (BW—May 24, 1942, p16), this week announced the further tightening designed to meet the President's requirements.

The list of goods subjected to stricter instalment terms is broadened to include almost all types of consumers' durable goods. Down payments are increased, furniture going from 10% to 20%, and most other affected items to 33½%. Terms on autos, which can be bought only by a select few anyhow, are among those unchanged.

Biggest point of the new rules, however, is control over charge accounts. None may remain unpaid more than 40 days after the end of the month in which the charge was incurred or it must be reclassified as an instalment account. Once the account has been placed on an instalment basis, it must be paid off within six months and no goods may be charged until this is done.

### BEW Satisfies State

Don't be deceived by the recent public airing of a little controversy over the delegation of authority between the State Department and the Board of Economic Warfare. The State Department's still on top, and Secretary Hull is still a power in the Cabinet.

Behind the confusion is nothing more than a desire on the part of a number of officials to speed up the acquisition of strategic materials from abroad. That job was taken away from Jesse Jones some time ago and handed to Milo Perkins, who is executive head of BEW. Perkins is one of the strongest advocates in Washington of placing big, long-term contracts abroad (mainly in Latin America) both as a means of building a steady and increasing supply and as an aid to hemisphere economic development.

When the BEW hastily drew up the bill which it felt must be passed to give it the authority to do the job, the phrasing inadvertently made it seem as though BEW was grasping for certain powers incontrovertibly belonging to the State Department.

• **No Cause for Friction**—The bill will be rewritten to correct this flaw, State and BEW will continue to cooperate, and Secretary Hull will continue to use Milo Perkins as the same trusted aid that he has been ever since he attended the Havana Pan-American Conference in the department's advisory delegation.

### Trouble in Foreign Trade

Though Washington has gone out of its way in the last few months to try to ease the lot of badly squeezed exporters and importers, it has so bungled its job

of late that relations with foreign traders were near the breaking point this week.

Outwardly, the controversy that raged on Tuesday in New York, where two giant foreign trade conferences were staged, centered around the problem of just what expenses the foreign traders could include in their prices under the export price ceiling formula laid down a week ago by the Office of Price Administration and the Board of Economic Warfare.

• **The Real Problem**—Actually, the problem goes much deeper. Foreign trade is reduced to a fraction of normal volume. Though the government is using—as far as possible—the regular commercial channels to handle the steadily mounting volume of government-controlled foreign business, it still does not provide many foreign traders with a paying volume of business. Formerly they could up prices to cover overhead. That's out under the new order, but Washington hasn't yet had the courage to tell the business that some agents are bound to be squeezed out for the duration.

• **Pinning Down the Issue**—This reluctance is undoubtedly due to Washington's inability to estimate now how far the volume of "free" trade will dwindle or how much of the mounting volume of controlled buying and selling can be routed through established private channels. But nothing will be solved until both sides face the real issue frankly.

### Capital Gains (and Losses)

The British are moving into federal buildings in Washington. British shipping officials are now housed in the Commerce Building, where they can be in close contact with the Maritime Commission. British munitions officials have offices in the Public Health Service building, which is across the street from the Navy and Army buildings.

The Navy is clamping down on its "armed chair" officers. Each division has been assigned a quota of officers who must be ordered to sea duty within a few weeks. Navy has more than 5,000 officers and enlisted men stationed in Washington; Army has over 7,500.

Elaborate new "automatic" sliding scale of compensation to air mail carriers, ordered by Civil Aeronautics Board, means that the Post Office can put smaller loads on many schedules instead of overloading a few, which crowded passengers off. Post Office previously paid for trips with minimum loads, now it pays for pounds on all trips. Airlines get same amount of revenue, the public gets more frequent deliveries.

—Business Week  
Washington Bureau



# FIGURES OF THE WEEK

THE INDEX (see chart below). . . . . \*180.0 †178.5 179.6 161.2 148.7

## PRODUCTION

Steel Ingot Operations (% of capacity).....	98.6	98.9	98.6	98.2	96.8
Automobile Production.....	22,015	21,900	22,320	92,879	130,610
Engineering Const. Awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$40,840	\$32,982	\$33,512	\$11,826	\$15,211
Electric Power Output (million kilowatt-hours).....	3,305	†3,273	3,349	3,380	2,945
Crude Oil (daily average, 1,000 bbls.).....	3,335	3,581	3,418	4,071	3,507
Bituminous Coal (daily average, 1,000 tons).....	1,916	†1,919	1,858	1,818	261

## TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	84	85	86	94	85
All Other Carloadings (daily average, 1,000 cars).....	59	56	48	58	35
Check Payments (outside N. Y. City, millions).....	\$6,319	\$6,285	\$6,713	\$5,769	\$5,445
Money in Circulation (Wednesday series, millions).....	\$11,723	\$11,642	\$11,593	\$10,307	\$9,071
Department Store Sales (change from same week of preceding year).....	+13%	+15%	+25%	+8%	+17%
Business Failures (Dun & Bradstreet, number).....	199	233	243	187	272

## PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931 = 100).....	231.3	231.3	233.0	209.0	188.8
Industrial Raw Materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)....	153.5	153.6	154.9	144.9	135.7
Domestic Farm Products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)....	184.2	184.8	185.1	158.1	136.3
Finished Steel Composite (Steel, ton).....	\$56.73	\$56.73	\$56.73	\$56.73	\$56.73
Scrap Steel Composite (Iron Age, ton).....	\$19.17	\$19.17	\$19.17	\$19.17	\$19.17
Copper (electrolytic, Connecticut Valley, lb.).....	12.000¢	12.000¢	12.000¢	12.000¢	12.038¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.15	\$1.13	\$1.18	\$1.12	\$0.87
Sugar (raw, delivered New York, lb.).....	3.74¢	3.74¢	3.74¢	3.50¢	3.42¢
Cotton (middling, ten designated markets, lb.).....	20.10¢	20.05¢	20.38¢	16.20¢	11.66¢
Wool Tops (New York, lb.).....	\$1.266	\$1.263	\$1.319	\$1.285	\$1.305
Rubber (ribbed smoked sheets, New York, lb.).....	22.50¢	22.50¢	22.50¢	22.50¢	24.02¢

## FINANCE

90 Stocks, Price Index (Standard & Poor's Corp.).....	61.5	60.0	64.6	76.1	74.5
Medium Grade Corporate Bond Yield (30 Baa issues, Moody's).....	4.27%	4.27%	4.25%	4.27%	4.32%
U. S. Bond Yield (average of all taxable issues due or callable after twelve years)...	2.38%	2.35%	2.33%	2.22%	#
U. S. Treasury 3-to-5 year Note Yield (taxable).....	1.02%	1.00%	0.95%	0.78%	0.74%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	1%	1%	1%	1%	1-1/8%

## BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	25,358	25,145	24,197	24,258	23,712
Total Loans and Investments, reporting member banks.....	31,205	31,393	30,494	29,582	27,550
Commercial and Agricultural Loans, reporting member banks.....	6,731	6,874	7,003	6,554	5,532
Securities Loans, reporting member banks.....	836	833	815	962	910
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks....	16,405	16,435	15,389	14,648	13,927
Other Securities Held, reporting member banks.....	3,706	3,716	3,711	3,731	3,753
Excess Reserves, all member banks (Wednesday series).....	2,820	2,750	3,000	4,602	5,771
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,443	2,400	2,339	2,250	2,234

\*Preliminary, week ended May 2nd.

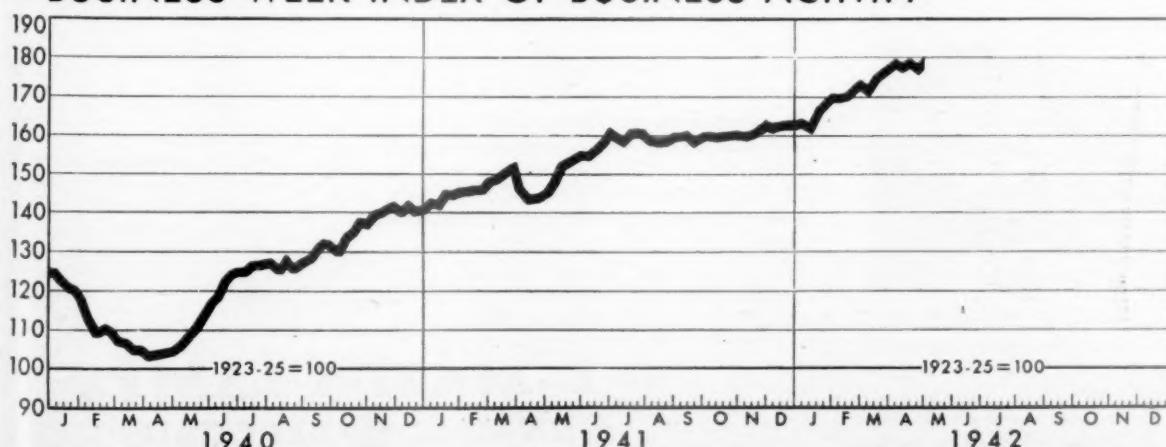
# Not available.

† Revised.

‡ Date for "Latest Week" on each series on request.

§ Ceiling fixed by government.

## BUSINESS WEEK INDEX OF BUSINESS ACTIVITY



# From Laboratory Novelty to IMPORTANT WAR PRODUCTION TOOL IN LESS THAN SIX YEARS



**GOOD LIGHT** helps step up production in this modern aircraft engine plant. 18,000 40-watt G-E MAZDA F lamps supply "indoor daylight" right around the clock.



Scene of the Patent Centennial dinner, November 23, 1936, where fluorescent lamps were first shown. In the light panel on each of four columns were 10 15-watt green lamps on one side and 10 15-watt blue lamps on the other.

ON Nov. 23, 1936, 1200 distinguished guests at a dinner in Washington's Mayflower Hotel celebrated the American patent centennial, and saw a new kind of lamp produced in General Electric laboratories.

This invention was described as "a novel light source still under development in the laboratory. The new source makes available a rich spectrum of colored light produced at efficiencies many times that of former sources."

It is known today as the G-E MAZDA F Fluorescent lamp. Millions of them supply cool efficient indoor daylight to speed production. Today, these lamps provide more light than was ever before possible, conserve electricity, time, energy, aid health and morale.

When you buy fluorescent lamps get G-E MAZDA F lamps... made to stay brighter longer.

**MORE LIGHT AT LESS COST.** Since the first G-E MAZDA F lamp was introduced, efficiency has been steadily increased, and prices have been reduced as much as 60%.

## G-E MAZDA LAMPS

GENERAL  ELECTRIC

# THE OUTLOOK

## Markdown Adjustment Ahead

Distributors face tough problems as price control cuts into profits, but stock market takes due note of stabilizing effect of the new order. Business watches critical war news.

The war news this week shunted domestic business developments from the big headlines. The British landed on Madagascar; Corregidor fell to persistent Japanese assaults; and the Russian army struck at key German bases to forestall a Nazi drive. But for the American business man—with manufacturers' and wholesalers' price ceilings going into effect May 11 and retail ceilings May 18—the job directly ahead was to adjust operations to the country's new economic order (BW—May 2'42, p13).

All sorts of price-freeze problems rose immediately to plague business men. There were problems of interpretation, administration, and accounting. And beginning on page 27, in a special report, Business Week explores the major questions which puzzle executives.

### Double Squeeze

Retailers this week were still a bit stunned by it all. Not only are their profit margins cut (since selling prices are based on previously-purchased lower-cost inventories), but also many face a squeeze because volume in hard-goods lines is due to decline sharply. Some types of stores, of course, are not as vulnerable as others. Food sales probably will hold up, or even increase. And such outlets will have a greater gross with which to offset the squeeze.

But stores selling durable consumer goods, such as radios, refrigerators, etc., will be hit hard. Because they cannot get replacements to sell, their gross will be down sharply. Nor will they be able to counteract the decline in unit sales by raising their prices, thus passing higher operating costs on to consumers.

### Lag—for the Duration

Moreover, the "squeeze" will persist so long as the Office of Price Administration holds the line on retail prices. Consider what happens: Suppose retail sales run to \$50,000,000,000 (which is not far from 1941's actual); suppose the cost of goods purchased (inventories) amounts to \$32,500,000,000; then the gross margin would be \$17,500,000,000, or 35% (figured on the selling price). But then along comes the OPA with its price freeze; and suppose retail prices have lagged \$1,000,000,000 behind manufacturers' and wholesalers' quotations. Then, that \$1,000,000,000 lag is

frozen into the price structure. The overall retail price would remain at \$50,000,000,000; but the goods purchased would be up \$1,000,000,000 to \$33,500,000,000. So the gross profit margin would drop to \$16,500,000,000.

### Relief by Subsidy

Nor will "rollbacks" change the ultimate effect. Let's assume that OPA decides to distribute the squeeze. Suppose it pushes back wholesale prices \$300,000,000 and manufacturers' prices another \$300,000,000. Then retailers will have to take a \$400,000,000 cut. But the gross markdown—from manufacturer to ultimate consumer—would still remain at \$1,000,000,000.

And unless economies in manufacture or distribution are effected, this markdown will cut directly into net profits of American businesses. In some cases, the Office of Price Administration will

subsidize the squeeze; that is, pay manufacturers, wholesalers, or retailers in order to hold down prices. But that phase is still to be worked out.

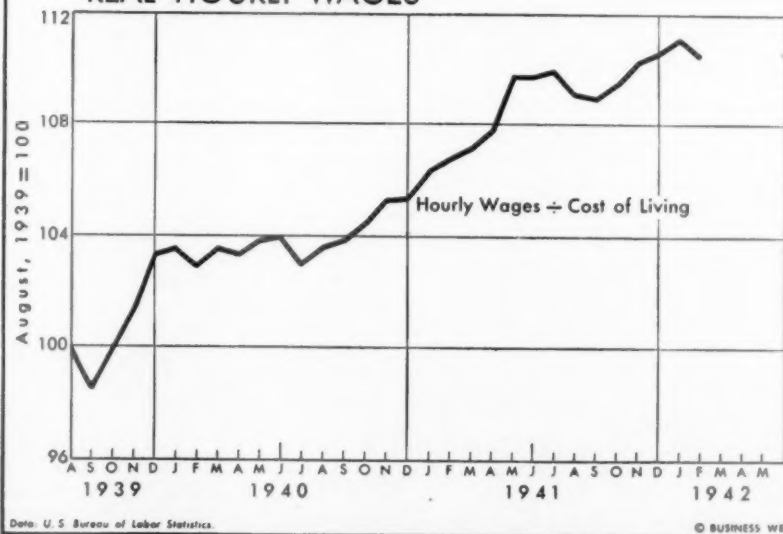
### Perky Stock Market

Interestingly enough, the stock market advanced on the news. Time was when common stocks were purchased as an inflation hedge, when a decline in prices, or a freeze, would be considered bearish. For increased profits are usually associated with advancing prices.

Not so, nowadays. Taxes have been steadily increasing; so have wage rates (which the price freeze may tend to check). In consequence, profits have been falling off and leading corporations have been cutting dividends. So investors and speculators have shied away from common shares. Not only were dividends threatened, but rising prices tended to reduce buying power of those dividends. But now fixing prices tends to stabilize dividends' "real value."

The war news also helped the market. Continued Russian attacks against German troops on the eastern front reinforced hopes that the ultimate Axis objective—a juncture between Germany and Japan in the Middle East (page 88)—will not be achieved this year.

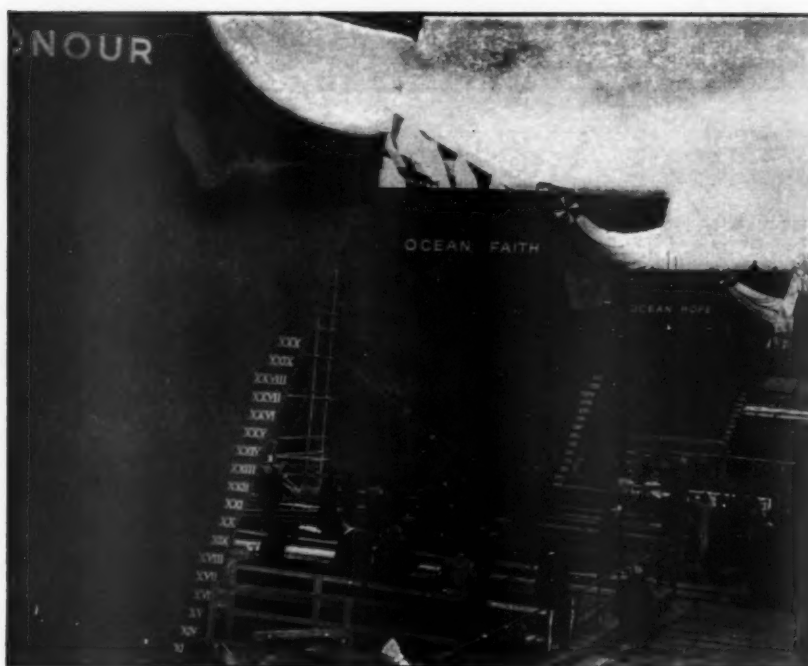
IN THE OUTLOOK:  
"REAL" HOURLY WAGES



The rise in the cost of living has begun to catch up with the rise in hourly wages. As the chart shows, an hour's earning power is beginning to buy a decreasing amount of goods—"real" hourly wages have actually turned down. Advancing wages, by boosting production costs, have lifted living

costs; higher living costs, in turn, have prompted union leaders to demand pay increases. Each has interacted upon the other. And the Administration's strategy in freezing prices—with its emphasis on cost-of-living items—was designed to stop this self-perpetuating spiral (BW—May 2'42, p84).





### TRIPLE LAUNCHING

Cargo ships are coming off the ways so frequently nowadays that the splash of a single launching hardly makes a

ripple in national news. However, maritime history was made when three ships as large as 10,000 tons were launched simultaneously at the Todd Shipbuilding Co., South Portland, Me.

## For Stable Wages

National War Labor Board gets ready to carry out policy of no pay increases except to meet changes in cost of living.

The machinery for effecting the stabilization of wages, which President Roosevelt called for last week in his anti-inflation program (BW-May 2 '42, p15), is being put together piece by piece. As prime stabilizer, the National War Labor Board's chairman, William H. Davis, has already organized an interdepartmental committee which will serve as a clearing house for wage regulation information. On it are represented, in addition to NWLB, the War, Navy, and Labor Departments, the Maritime Commission, the War Production Board, and the War Manpower Commission.

• **Would Consult OPA**—Although not formally represented, the Office of Price Administration will have a close liaison with NWLB, for Davis has announced that every agency of the government that may be affected by a NWLB wage order will be consulted prior to the wage determination. But, unless directed to do otherwise by either the White House or Congress, NWLB will not notably extend its present jurisdiction, and its

wage rulings, which cover only a small minority of negotiated wage bargains, will have to set national patterns or be largely ineffective as wage regulation.

Should voluntary wage boosts granted by employers get out of hand—either through collective negotiations or through employer competition for skilled labor—the board will look to the President to act directly and order a ceiling over all wage rates. The Wage-Hour Division, most experienced government wage-policing agency, has already been asked to consider the necessity for such action in the long run, and is getting ready to operate such a program if it becomes necessary.

• **Enforcement Device**—As one means of arresting such a trend, government contracting agencies, all of which are members of the interdepartmental wage committee, could advise contractors not to expect compensation for any wage increases granted. But the big hope of obviating the necessity for a rigid wage freeze is that Leon Henderson will be able to hold the cost of living within reasonable limits, thus remove the compulsion on labor to demand more pay.

In the meantime, NWLB's chairman can be expected to stand by his statement that the board is not going to improve standards of living for workers who are now getting a standard wage. This means that the big wage disputes now before NWLB—involving Little Steel, General Motors, Alcoa, Bethle-

hem Shipbuilding, and other firms which unions have pressed for a \$1-a-day pay hike—will be decided on the ground of whether the cost of living increases since the last wage contract was negotiated have changed what were standard wages then into substandard wages now.

• **Broad Policies**—In considering this aspect, the board will take cognizance of Roosevelt's warning that sacrifices have to be exacted from every group and Henderson's statement that we must accept a 1932 standard of living because of civilian supply shortages. Davis has acknowledged that the President had added a directive to the board's original charter which specified that "we now have to conduct ourselves so that our decisions will not unstabilize conditions."

NWLB's first opportunity to write a cost-of-living decision in a big case may well come in the Little Steel dispute which the board is now pondering. Look for a board rejection of the union \$1-a-day claim and a small increase that may be coupled with some kind of union security recommendation to make the decision less bitter to labor.

### PRICE-ORDER REPRINTS

First response to the complex terms of "the great American price freeze of May, 1942" has been a flood of questions from business. Anticipating these, Business Week has been hard at work in Washington getting for its readers the vital answers which appear in a Report to Executives, "How the Price Freeze Works," starting on page 27. It has been getting from Canadian officials and business men the valuable guidance of their earlier experience in adjusting to such a freeze (page 41). It has been interpreting the important effect of the order on rents (page 50), on farm prices (page 84), and on wage stabilization plans (this page).

To meet the swelling demand for this essential information, the answers on "How the Price Freeze Works," the Canadian report, and other material will be made available in a combined reprint, single copies mailed to readers without charge, additional copies at 20¢ apiece, quantity-order prices by arrangement. By special arrangement with Washington, each reprint will be accompanied by a copy of the full official text of "The General Maximum Price Regulation." Requests for reprints should be addressed to Willard Chevalier, Publisher, Business Week, 330 West 42nd Street, New York, N. Y.

# Broad Rationing Plan Ready

OPA sees that controlled distribution of consumer goods must follow price freezing and is working on point system to cover many types of necessities, leave buyers some choice.

Delivered of the General Maximum Price Regulation, after long labor, the Office of Price Administration is girding itself for a program of rationing that will go far beyond the rubber-auto-sugar gasoline job immediately on its hands. Before many months, every essential consumer article—things that everyone ought to have at least some of—will be subject to a degree of rationing. The necessity of widespread rationing arises from the same basic condition that brought about the need for the price freeze—lots of money and few goods.

• **Inevitable Consequence**—Stabilization of most prices at March levels has made a critical case for rationing. As long as prices could rise, forcing out marginal buyers, the effective demand for goods could be kept in line with the supply. The market might be unhealthy, but it was at least fairly orderly. With prices frozen, incomes rising, and the supply of goods constant or dropping, it's either rationing or the inequities of first-come-first-served distribution. And America will choose the ration, rather than the queue.

The rationing programs now in effect or in the immediate offing were undertaken after much heartsearching, interminable public and private argument. They represent cases in which the supply has, or is believed to have, dropped sharply, in which consumption must be cut far below existing levels. In future, rationing will have to be installed in many cases in which the supply is the same as it has been, or only slightly below that total, in which consumption can stay at about its usual levels.

• **Point System Preferred**—The rationing method—according to current OPA thinking—will be to establish a secondary currency of points alongside the dollar currency. Essential articles of which the supply is at all limited will be listed and given a price in points. Then every person in the country will be given a book of stamps representing a certain number of points. His purchases of articles on the controlled list will be limited by the number of points in his possession.

When a sale is made, the retailer will collect points, will use them to replenish his stocks by turning them over to the wholesaler. The wholesaler in turn will hand over the stamps to the manufacturer. It may even be that some machinery will be set up by which manufacturers will use the stamps to get their raw materials. Or the stamps might be integrated, at the manufacturing

level, with the WPB's priority system.

• **Shy Off Extremes**—It is thought that such a system, which has been tried out in Britain (BW—Jan. 31 '42, p. 34) will combine rather effective control with a minimum disturbance of the ordinary distributive system. For the present, no necessity is seen for such extreme moves as forcing consumers to do all their buying at a particular store so as to reduce the amount of goods frozen in inventory. But as supply gets tighter, moves of this sort may become necessary and possible techniques are being studied by the Civilian Supply Division of the War Production Board.

One of the more interesting questions about a point system now being debated is whether points should be interchangeable. Foreign practice has been to require quite strictly that purchasers detach point coupons from their own books in the presence of the seller. But this is extremely difficult to enforce, and OPA is toying with the idea of an "official black market."

• **"Official Black Market"**—Thus, a man of low income might be permitted to go to a Post Office and sell the point coupons he's unable to use at, say, a dollar apiece. The Post Office would resell them to people with extra money at, say, \$2. This would have the double advantage of granting a costless subsidy to the poor while the extra dollar would

constitute an anti-inflationary sales tax, the incidence of which would be limited to people who could afford it.

For instance, a man with a food budget of \$10 might possess points sufficient to support a \$14 expenditure. He would sell two of his points to the Post Office and use the proceeds to operate on a \$12 budget. Another man, meanwhile, could afford to spend \$20 but is limited to \$14 by his points. He buys—for \$4—the two points the first man turned in. Thus, the second man, by spending \$20, can get \$16 worth of food. And the first man, at the same time, gets more than he would otherwise.

• **Points and Prices**—OPA sees that the major administrative problem in a point system is going to be the setting of point-prices—how many points to buy a pair of socks, how many for a can of fish.

Ideally, the prices should be such that the total points issued will buy all the goods available, no more, no less. Also, each individual item has to be properly priced in relation to the others—neither so low that the stores are stripped clean nor so high that no one buys.

It is the difficulty of doing a proper job of pricing that prevents early use of a point system, despite the admitted clumsiness of present one-at-a-time arrangements. Before undertaking to draw up a price list, OPA wants a chance to observe the workings of a frozen market and of initial rationing programs.

• **Invitation to Hoarding**—The sugar and gasoline programs, drawn as if these things were the only ones that would ever be rationed, involve a tre-



Mrs. Leon Henderson, wife of the man who is responsible for rationing, is registered for sugar by Dr. Elmer S.

Newton, superintendent of Western High School, Washington, while Mrs. Henry Wallace (left) awaits her turn.

mendous amount of work in the conducting of separate registrations and the distribution of special books for each commodity. This pattern will not be used again—if for no other reason than that the long delays occasioned by the printing of 150,000,000 or so ration books is an invitation to hoarding. But the sugar program is providing an indispensable preliminary to more workable systems.

The registration completed this week will be the basic registration for all future rationing, will simply have to be kept up to date to allow for births, deaths, inductions, incarcerations and such. The stub of the sugar book (which makes no mention of sugar) is, in effect, a registration certificate.

• **Surprise Attack**—The second step will come with the issuance of sugar book number two. This will be a big one. In addition to the coupons for sugar, it will carry a lot of extra coupons, differently colored or differently numbered. From then on, subjection of new commodities to rationing will be much easier and will not be subject to the inevitable leaks associated with a huge printing job. You will simply open your paper some morning to learn that, effective the preceding midnight, the purple stamps in your book cover suits or canned goods.

Gasoline rationing presents a rather special case requiring distribution to a limited group within the population. It is also, in its first temporary form, going to be considerable of a headache. Gas stations do not turn in coupons in order to get their wholesale deliveries of gasoline. Their deliveries are based on a

percentage of past deliveries and have no relation to the rationing program. There is, therefore, nothing but his conscience to prevent a station operator from selling unrationed gas to his friends and beneficiaries.

• **Where Points Fail**—There will doubtless be other rationable commodities which are sold like gasoline only to special groups. But none are immediately in prospect and, by the time such situations arise, many of them can probably be handled through a point system.

No point system, however, can cover the whole rationing setup. If one could get tires on points, everyone would want tires, even if he had to cover his nakedness with a barrel. On those commodities—usually durable goods—where proof of need is the major consideration, the pattern of the present tire and automobile plans will be followed. The rationing boards will grant purchase certificates to those who can show they are entitled to buy.

• **Intermediate Cases**—If the rationing boards are not to be overloaded with hundreds of thousands of transactions, however, certain intermediate cases will have to be recognized. These would cover commodities where need is the criterion but where there is no need for such strict rationing as that imposed on tires. Here the procedure may be something like that used by the WPB in granting priorities for repair and maintenance requirements. Certain conditions could be established for purchase, and the buyer would be required to present an affidavit—and maybe a supporting statement from a responsible citizen—that he meets the conditions.

## Sh! The Weather

Bureau shrouds its data with secrecy these days but has evolved machinery whereby loss to business can be averted.

Mr. Butterfield of Chicago has long been one of the Weather Bureau's most devoted clients, particularly in the months of extreme heat or cold. The reason is not hard to find, for Butterfield ships eggs. Failure to ice a carload if the mercury is getting set for an upward spurt, or failure to put paper or straw around the eggs if a cold spell is in prospect, may mean serious losses.

• **New Relationship**—Today things between Butterfield and the Weather Bureau are different; in fact, their relationship is hedged about with more safeguards than bootlegging ever knew in the palmiest days of prohibition. If Butterfield is preparing a shipment of eggs, he phones the bureau, cryptically says, "Butterfield 387."

The operator at the Chicago Weather Bureau switches him to another phone, and he repeats, "Butterfield 387."

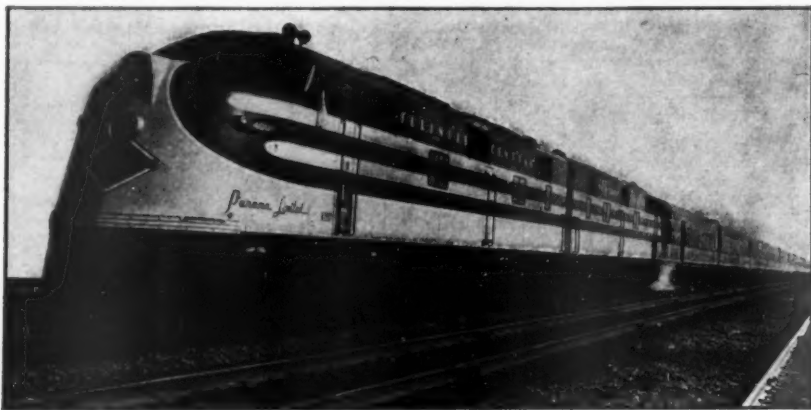
After a moment, a voice says, "Fairly severe," or "Nothing in sight."

• **It's Prearranged**—That's all there is to it. Only Butterfield and the bureau know, by prearrangement, what information is wanted. The answer may be "heating required" or "refrigeration required," something that is not exactly a forecast but which fits the nature of the inquirer's business.

In this manner the Weather Bureau continues to extend special service to business enterprises that would otherwise suffer because the information which they need has become a military secret. In the Chicago area, such special service is now available to about 100 users. By contrast, the Weather Bureau in a city the size of Toledo, Ohio, formerly mailed a daily mimeographed sheet of information to some 200 persons, companies, and associations.

• **Weather Dependents**—Greenhouses, truck farmers, candy shippers, and traders in fruits, grains, and other perishables are among the segments of business to which weather information is obviously important. Likewise the imminence of rain may be a matter of great moment to people who are building chimneys or pouring concrete.

Don't get the idea that anyone can rush down to the Weather Bureau and arrange for special service just because it would be "a nice thing to have," or because it might impress his friends. The burden of proof is on the applicant. The Weather Bureau simply does not have the personnel that would be needed if individualized service were to



### ANOTHER "LAST"

Almost certainly the last new streamliner that will be built for the duration is the Illinois Central Railroad's Panama Limited, which this week took over the No. 1 Chicago-New Orleans run in 18 hr. instead of the long-established 20 hr. The two new diesel-electric locomotives (Electro-Motive Corp.) and 22 new lightweight cars

(Pullman-Standard Car Mfg. Co.) release a materially larger number of steam locomotives and conventional passenger cars. The old five-dollar excess fare sticks but innovations undoubtedly aimed at air competition include (1) a free dinner consisting of anything on the menu, and (2) passenger lists carried by conductors who add a surprisingly cordial touch by addressing passengers by their names.



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extended very far. For that reason special-service listing is hard to get.

**How It Works**—If a business man succeeds in proving beyond all question (1) that the information needed is of great importance to his business and (2) that his business is of importance to the country under present circumstances, when he has a fair chance of being admitted to the inner circle. The precise type of information needed is discussed in detail in a conference between the business man and a bureau representative.

The applicant writes a letter in which he stipulates the exact conditions about which he will be inquiring, and in which he promises to impart the information to nobody else. Then the bureau gives the business man an identifier or "authenticator," a word or a number to use when phoning.

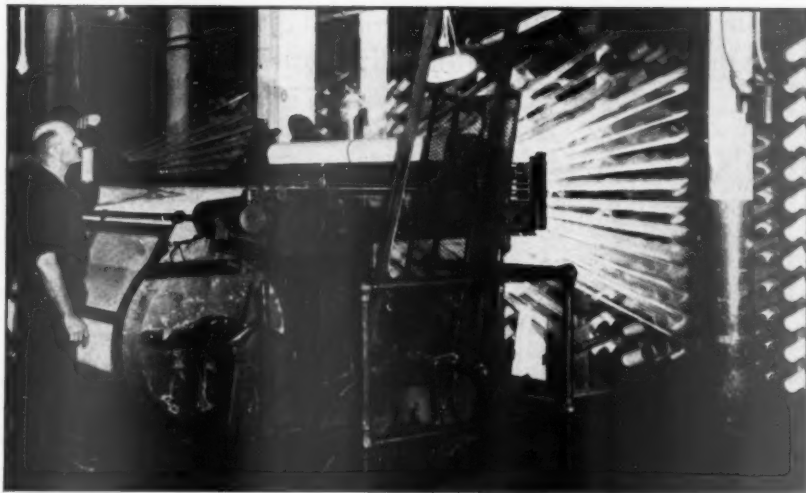
**Answer by the Card**—A file card is made out which defines favorable or unfavorable conditions according to the inquirer's needs. For instance, a shipper may explain that he will always be wanting to know 24 hours in advance whether the temperature is going to fall below 24 deg. His card may record that shipping is risky at 24 deg. to 15 deg., that it is dangerous below 15 deg. Then when he calls up and identifies himself properly, the answer will be in terms of the data on the card: "Safe," "Risky," "Dangerous."

All requests for such special service under a continuing arrangement must clear through the Washington office of the Weather Bureau.

**Very Special Jobs**—Various jobs of a still more specialized character have been set out for the bureau by war conditions. For instance, thunder storms can lay havoc with munitions plants, and that means that such plants must always be able to get in touch with the forecasters.

A unique weather problem was created recently when the Great Lakes Dredge & Dock Co. began moving \$500,000 worth of machinery—dredging, pile-driving, and other marine equipment—from Chicago to the Soo. The nature of the load, lashed into a tow that could make no more than six knots, made it rather unseaworthy. A 25-mile wind could cause serious trouble. With radio weather information restricted as it is, the Chicago Weather Bureau had to work out a method of secret communication with the captain. How they did it, of course, remains a secret, but the guess is that code signals were injected into a regular commercial broadcast program.

**Other Angles**—Aerial photography is another activity that is much dependent on weather information. Power companies in the big metropolitan centers are likewise weather-conscious. In Chicago, Commonwealth Edison gets forecasts four times a day over a private line from



## STRANGE DUCK

One branch of the tire industry which has hardly missed a beat since civilian production of tires was stopped is its textile mills. Like carpet and rug manufacturers whose looms are now being converted to the production of heavy duck for the armed services, tire textile mills are spinning yarn and weaving various weights of cotton fabrics for military purposes. Of the five textile mills owned by U.S. Rubber Co., three are now working at capacity on duck for war production, and the other two are still making cord to supply the company's plants for essential military tires. Previously the products

of U. S. Rubber's textile division were limited to cord for tire plies and to fabrics for chafer strips. These products require a large capacity of carding and spinning but a comparatively small number of looms for weaving. Accordingly, when civilian tire production stopped, more looms were bought and old looms were resurrected from storage, reconditioned, and rushed into service. Fully as scarce as duck itself, and object of an antihoarding investigation by WPB, is cotton yarn that goes into heavy duck. At the U.S. Rubber textile mill above, 3,000 strands of duck yarns are drawn off creels and "beamed" on a large roll (left) to make the warp.

the Weather Bureau, being thus enabled to prepare for a heavier lighting load on an overcast day, or to anticipate sleet or other line problems.

Since military motives govern the secrecy now surrounding weather information, the government's curtailment of its services affords no opportunity for any expansion of private forecasting. In fact, private forecasters have been asked to suspend operations for the duration. No general request was issued by the Weather Bureau; most of the private forecasters simply went to the bureau for advice and were told that it was the government's wish that they shut up shop.

● **Almanacs, Too**—Even the almanacs (most of the 1943 editions are going to press about now) have been asked to lay off the weather.

A point to remember: The apparent attitude of the Weather Bureau is that those who really need special service are the ones who have already arranged to get it, that those who have made no inquiries thus far are probably able to get along without it.

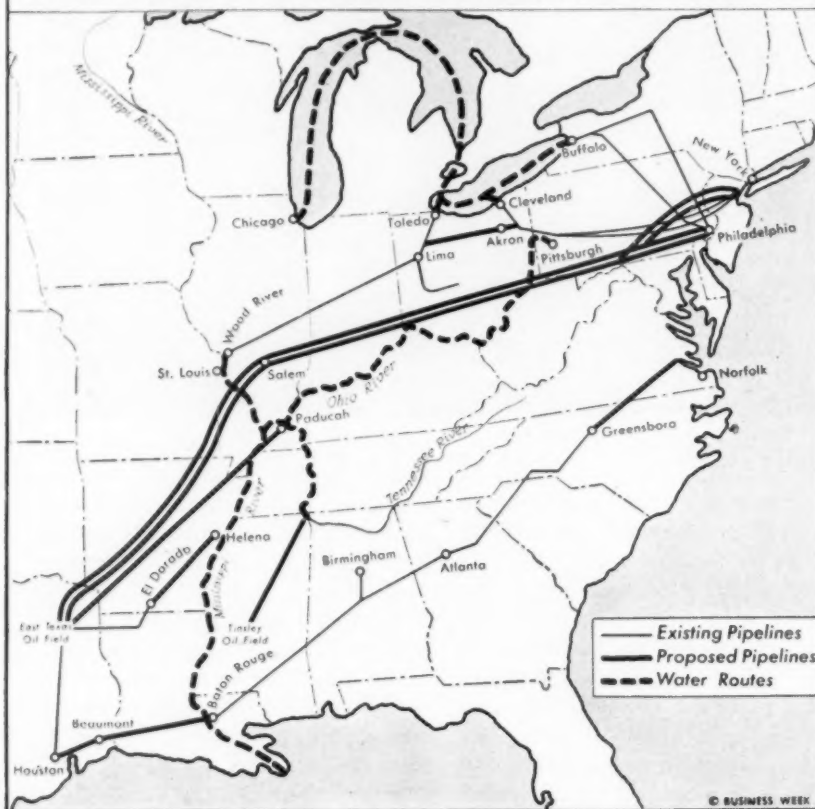
## Oil Rechanneled

Vast new pipeline pattern evolved by industry to beat the submarines. Companies use own money to rearrange facilities.

Normally the pull of cheap transportation draws crude petroleum supplies from the rich fields of Texas, Louisiana, and New Mexico to ports on the Gulf. There pumps fill the tankers which deliver at minimum costs to Atlantic seaboard points where the crude is refined into gasoline, motor oil, fuel oil, and dozens of other petroleum products for distribution in a market that consumes 40 out of every 100 bbl. produced in the country.

● **Evading the Subs**—But tankers are the favorite prey of U-boats and losses have brought gasoline rationing in the East. To defeat the subs, the oil industry plans to rearrange its vast system of pipelines, barges, tank cars, trucks into a unified

## Pipelines—New and Proposed—that Figure in Reshuffle of Petroleum Distribution



overland setup which no torpedo can disturb. Drama of this enterprise is lost on a public engrossed in the shooting phases of the war.

The obvious need for such alteration in the petroleum pattern was what first gave rise a full year ago (BW—May 31'42,p20) to the proposal for a big new pipeline to carry crude from the Texas fields to the East. But the shortage of steel, which has caused defense officials to turn the project down three times (BW—Mar.21'42,p14), has forced the industry to think primarily in terms of a rearrangement of existing equipment.

• **Ten Projects**—That new pattern, which promises some relief for the hard-pressed East, has now been largely set. The design, involving ten separate projects, was put together by an emergency conference representing 70 pipeline companies which met in Tulsa and turned in its report on Mar. 30. Deputy Petroleum Coordinator Ralph K. Davies declares that most of the proposals "can and should be undertaken at once."

The Petroleum Industry War Council thinks so, too. But the antitrusters in the U. S. Department of Justice will have to give their blessing to the co-operation involved and the plan must be approved by the Interstate Commerce Commission, which controls rates charged by pipelines.

• **Relaying Old Pipe**—Most spectacular feature is the provision for tearing up 1,400 miles of pipe and relaying it where it will do most good—in some cases 500 and 600 miles distant from old locations. The pipe is all in use now but future shipments would be rerouted through other lines not working at capacity. In at least one case a pipeline company agrees to go out of business because all its pipe would be pulled. Such pipe will be bought by companies taking it over, the only compensation proposed for the losers.

In addition to using old pipe, yards and warehouses will be combed for every pump, valve and junction capable of rehabilitation. Ancient steam pumps, retired in favor of diesel or electric drive, may be recalled to service. The re-jiggered pipeline system would kick petroleum products as far as possible eastward, thus shortening the haul for barges, railroad tank cars, and trucks.

• **Company Money**—Cost of the ten proposed projects will be \$200,000,000. Instead of hot-footing it down the worn path that leads to federal handouts, the oil industry is willing to give the taxpayer a break and put up all the money.

Oil line executives had to consider the maximum threat—that sinkings or diversions of tankers to war service would entirely eliminate such carriers from Atlantic Coast service and require

the transport of all petroleum supplies over interior routes. To meet this ultimate, the industry still wants to revive the much-vetoed new pipeline proposal. In fact, it has a double proposal. This involves the projected 24-in. crude pipeline from Texas to the New York-Philadelphia area and a companion 20-in. products line for gasoline, fuel oil, etc. (BW—Jul.19'41,p16).

• **Then and Now**—The pipeline planners stress the fact that they hope to get by without these two big projects. However, it is pointed out that if the crude line had been started last summer, it would be in service this summer and there wouldn't be a rationing problem. Also prices of everything have shot skyward so that estimate for the 24-in. line is raised from \$75,000,000 to almost \$100,000,000 and for the 20-in. line from \$60,000,000 to more than \$70,000,000.

Doubts of whether War Production Board officials will now allow steel for these two projects even on a tentative basis force the oil industry to do the best it can with what it has. Reversals of flow in existing pipelines—to carry crude into the East rather than to distribute refined products are emphasized.

• **Tuscarora Shift**—Thus famed Tuscarora, Standard Oil of N. J.'s pioneer long-distance line from the Bayonne refinery on New York Bay to eastern Ohio, would undergo another shift. Originally a line running crude oil into the refinery, it was changed to deliver products westward. Under the new plans Tuscarora would again be reversed to bring in crude from western pipes.

Reversals range from the simple and inexpensive to the complicated and costly. Where land is generally level changes can be effected without relocating pumping stations.

• **Mountains Interfere**—But in hilly terrain, pumping stations are located where they can boost the flow up inclines. In a typical case this would necessitate moving the pump house from one side of a mountain to the other. Tuscarora, which negotiates the Allegheny Mountains, would be very costly to reverse. The Keystone line, running products 300 miles over the mountains from Philadelphia to Pittsburgh, has undergone a complicated reversal to bring in western crude.

The recently-completed Plantation line dovetails into the proposed war pattern (BW—Nov.22'41,p18). It carries gasoline from Baton Rouge to Greensboro, N. C. Second-hand pumping equipment would be added to increase the flow; old pipe would be used to tap refinery output at Beaumont, Tex.; more old pipe would be added on the Greensboro end to carry the line to a James River terminal somewhere west of Norfolk. Naval supplies would thus be fortified and barges could make deliveries by way of the Potomac, Ches-

# ★ **There IS Something you can do to get STEEL more quickly!**

*Steel deliveries are a problem! Stocks are depleted, mill deliveries delayed, priorities strictly enforced, demands heavier as war production intensifies! But there is something you can do about it—several things, in fact! Work closely with Ryerson on your requirements, and follow the common sense rules of action.*

## **1 Make sure of your priority status.**

(a) If you are engaged in direct war production and require immediate stock shipments from time to time, be sure to properly extend to us applicable priority ratings. This should be done by extending any blanket rating in the manner required by the blanket under which you are operating or by properly endorsing purchase orders, as in the case of priority ratings based on certificates.

(b) If you are not directly engaged in war production work, check up on the proper rating for your repair and maintenance requirements, because effective after May 15 a new order, amendment No. 3. Extension 2, of General Preference Order, M-21, establishes closer control and greater limitations on the distribution of steel.

## **2 Because of the importance of following Government regulations to the letter, make sure that your orders are formally endorsed, using the proper forms when nec-**

essary. This will preclude the possibility of further correspondence that might delay shipment, or prior sale of material.

**3** When possible, send orders — not inquiries. This is entirely safe because of the long-established Ryerson one-price policy. It is possible the steel, if in stock, might be sold while we are answering your inquiry.

**4** Whenever practicable, state what alternate sizes, shapes, or types of steel you can use if the desired steel is not in stock.

**5** It is also helpful to indicate the size or length to which the steel will be cut so that we may fit your requirements to available sizes and lengths when regular sizes and lengths are not in stock.

We are most anxious to help you with every problem of steel procurement or application, during these critical days! Do not hesitate to keep closely in touch with us.



peake and Delaware waterway systems.

- **All-Year Route**—A new line from near Lima, Ohio, to Akron would take products from Shell, Standard of Indiana, and Sohio lines to the Sun-Susquehanna line for western Pennsylvania and points east. This would provide an all-year route for shipments which now go via Lake Erie, a waterway frozen to traffic five months. Tanker movements from Great Lakes refineries to Buffalo would be increased for deliveries to western New York and northern Pennsylvania by way of Socony-Vacuum, Keystone, and Sun pipe lines or Erie Canal barges.

An existing crude line would be reversed and converted to deliver refined products from Houston to East Texas whence a line would be laid to the Ohio River near Paducah to shorten barge hauls and speed tank-car turn-arounds.

- **From Tinsley Field**—Another line to cut barge and tank-car distance would be constructed from the Tinsley (Miss.) field to a river terminal. The Mississippi near Memphis was the spot originally chosen but favor has shifted to the nearest sector of the Tennessee River.

Old Man Mississippi's five- to six-mile current is slow to buck upstream, hard to navigate going down. Up or down, the canalized Ohio River system makes for faster runs. By changing from the Mississippi to a Tennessee point for Tinsley products, the planners obtain a down-stream haul into the Ohio.

- **Shortening River Haul**—Like considerations apply to the Atlas line from East Texas to Shreveport, La., and El Dorado, Ark. It was first proposed to connect this line to an old Standard line ending at Grand Lake, Ark., on the Mississippi. As revised, the line would be extended from El Dorado to Helena, Ark. This would require more pipe but would save barges a day's run up the river. Work on the El Dorado-Helena line has begun.

While the No. 1 worry of the oil executives is the East Coast shortage, a secondary one is an indicated decline in production of the Illinois basin.

- **New Line Proposed**—To take care of this, the industry proposes an entirely new 20-in. line for crude oil from East Texas to Salem, Ill. It would carry 100,000 bbl. of oil daily to shorten the barge and tank-car haul to the East Coast, and another 100,000 bbl. daily to make up for deficiencies in Illinois production.

This line is not to be confused with the 24-in. crude line and the 20-in. products line which the industry also proposes. But the 20-in. crude line from East Texas to Salem, Ill., would tie in neatly with the larger plans if they materialize. In that case the 20-in. East Texas-Salem line would become a section of the products line, which would deliver its full 200,000 bbl. daily to the north Atlantic coast. Supplementary supplies for Illinois would then be taken from the crude line. Oil men and their

allies in the petroleum coordinator's office fervently hope that they won't have to go to bat on the two new Texas-East Coast lines. Some 750,000 tons of steel would be needed for both projects.

To ask the WPB for that amount of steel in a hurry would cause much and fancy fireworks. It would supply hulls (of 3,500 tons each) for 210 tankers. Rear Admiral Emory S. Land, head of the Maritime Commission, might point out that the plates to be bent and welded for this big pipe are of a type that is urgently needed for shipbuilding.

- **How It Adds Up**—Chances are that the oil industry will defer demands for the two new major lines, but will put up a real fight for the 114,000 tons of new pipe needed to carry the 20-in. crude artery from East Texas to Salem. Here is the way it all adds up:

Total needs for the Atlantic Coast are something over 1,300,000 bbl. daily for this year and 1943. Without the two new long lines (but with the East Texas-Salem line) listed adjustments plus barges and tank cars could deliver about 900,000 bbl. daily. Tanker movement is expected to make up the deficit of 400,000 bbl. Without any tankers, the need for the two long lines (providing daily deliveries of 250,000 bbl. of crude and 200,000 bbl. of products) would become critical.

- **Without Waiting**—The industry will carry its program as far as possible without waiting for further government encouragement. This is evident from the start of the El Dorado (Ark.) pipeline which is part of the East Coast supply

project and from a West Coast project which is separate.

Japanese subs threaten tankers in the Pacific. First in a series of shifts to reduce the danger will be conversion of a natural gas pipeline owned by Standard of California and Pacific Gas & Electric. It will become part of a new hook-up to carry crude from Kettleman Hills to refineries on San Francisco Bay. This will make the bay plants entirely independent of ocean-borne supplies.

- **Political Aspect**—Political pressure from the populous and powerful East Coast could help put across the oil industry's rescue plan. Whether it can be accomplished in full is a question.

At least one stumbling block has disappeared. On the Senate committee which investigated last year's threat was Senator Lee (Pass-the-Biscuits) O'Daniel of Texas. This statesman was seen to resent a suggestion that in peacetime the proposed 24-in. crude line could be used to pipe out natural gas (BW—Sep. 13'41, p14). Reason: Texas wants to use her gas for building up her own industries, not those of rival areas.

Since Pearl Harbor many things, including Texas sentiment, have changed. The oil shortage in the East is one of transport. Sinkings and diversions of tankers hit hard at Texas' immense oil industry. Pinching down on the sea outlet has forced restrictions on crude production. Refineries have closed. All this bites into Texas pocketbooks. Misgivings over possible future drainage of natural gas are lost in the immediate danger to markets and income.



One of the last pipe lines to be constructed using new steel was the Portland-Montreal trunk (BW—Aug. 2'41, p15). Now the oil industry wants to

build three more, but steel scarcity probably will result in rearrangements of existing pipelines and in use of other means of overland distribution.

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Established 1784*



*Personal Trusts  
Since 1830*

## Visibility Low

BACK in the mid-year of 1918, this country was deeply discouraged by the war outlook. Russia had withdrawn as an ally. The Germans were pressing the French and British back toward Paris and the Channel. Only a few American troops had reached the front. Submarine destruction of Atlantic shipping was near its peak.

On the home front, war had brought innovations—heatless and meatless days, Government administration of the railroads, creation of the War Finance Board. The Third Liberty Loan of \$3 billions had just been offered at 4¼%. Trading on the Stock Exchange was stagnant. Industrial stocks were 25% lower than at present, but rails were 300% higher.

Economic visibility at that stage

was as near zero as it is today. No one was far-seeing enough to anticipate the post-war boom and depression or the onset of unprecedented political and social change.

Today, invested wealth again faces uncharted hazards. The outlook calls for special vigilance and trained judgment.

Our first duty as a conservative trust institution is to maintain the strongest possible protection over funds entrusted to our care. For that purpose a large staff of specialists is maintained, whose sole duty is to provide full information for our investment guidance. We believe that these facilities may prove valuable in the days ahead, and we shall be glad to discuss them with you.

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ITEM NO. (THIS LIST)	TOTAL MACHINE-HOURS PER WEEK TO MEET SCHEDULE	EXTENDING OVER HOW MANY WEEKS	PATTERN OR DIE	JOB AND FINISHES	WHO FLIPS MATERIAL	KIND OF MATERIAL	WEIGHT OF FINISHED PART	MACHINE RECOMMENDED	CLOSEST TOLERANCE REQUIRED IN 100TH'S	MACHINE RECOMMENDED	CLOSEST TOLERANCE REQUIRED IN 100TH'S	MACHINE RECOMMENDED	CLOSEST TOLERANCE REQUIRED IN 100TH'S	MACHINE RECOMMENDED	CLOSEST TOLERANCE REQUIRED IN 100TH'S	MACHINE RECOMMENDED	CLOSEST TOLERANCE REQUIRED IN 100TH'S
BDN- Binks Manufacturing Co., 3114 Carroll Avenue, Chicago, Ill.																	
BDN-1 There are parts of Spray Gun Equipment. 1st del. May 20.																	
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2	120	1	...	CH	1	CNA4.0											
3	168	1	...	GO	1	CNS2.0											
4	157	1	...	CO	1	CNB1.0											
BDR- American Locomotive Co., McCormick Bldg., Chicago, Ill.																	
BDR-1 1st del. May 15. All machine hrs. approx. Item 1 may require 40-60 hrs. It is cast armor steel. (M4 tank turret) 230-260 Brinell. For item 1 slightly smaller machines may be applicable. If you have machinery of these types and approx. sizes, let us know.																	
1	...	30	S	C	D	M26	1	ACG5.0.AGG5.0.BSK5.0									
2	28	13	S	C	H	1	1	CK22.0.DBS									
3	25	19	S	C	H	1	1	CKO.....HAA									
4	25	16	S	C	M	1	1	BGA2.0.DBB2.0.KRA2.0									
BDV- Chicago Electric Mfg. Co., 6333 West 65th St., Chicago, Ill., Att.: Mr. H. Oetjen, V. P. & W. M. (Portsmouth 6370)																	
BDV-1 1st del. June 1. Item 1—Machine recommended best results 6 spdl auto. 2 1/2 Chucking Machine. 9 Item 2—Machine recommended best results 6 spdl auto. 2 1/2 Screw																	

"ACG" will always be a 10-in. vertical mill with two swivel rail heads, in his or any other shop; drilling machine "BSK" will be a plain radial drill with 5-ft. arm length and 13-in. column. Now all the subcontractor has to do is run his eye down the "Index of Jobs" available (left), comparing the machines necessary for each given job with his machine list.

On the third line, he finds an ACG (i.e., a 10-in. vertical mill) like his, capable of working to 0.005-in. tolerances, and also a BSK (radial drill) of like accuracy. Therefore he looks for job symbol BDR-1 in the "Breakdown of Jobs" (right) and finds a full description of the job, quantities, etc. He phones or wires American Locomotive Co. for permission to quote.

Of perhaps 100 jobs listed by the three companies in one small code bulletin and circulated to a handful of potential subcontractors in the neighborhood



# What Essential Car Owners

## Should Do About Tire Recapping



● If you are in the government's established classification of war workers, and others considered essential to the war effort, you are now permitted to apply for a tire recapping certificate through your rationing board.

This classification means that the U. S. Government considers your car, and tires on it, *vital to winning the war*. America knows that you must be able to drive your car to do your war job. If you need part of our precious rubber, you are to have it. But... America expects you not to let her down.

You have an *added responsibility* now to get every last mile from your original treads. To have your tires *inspected* regularly and *kept in repair*... for longest wear... and so that they can take a recap, when required.

Don't gamble with your rubber. Don't rely on guess-work or casual "advice." Put your tire problems up to a man who is *qualified* for the job... a man whose *business* is tires.

Your General Tire dealer offers you inspection... repairs... recapping... by tire experts *who know how*. His trained tire men... modern, scientific equipment... long specialized tire experience... are ready to help you get every mile built into your tires, regardless of make.

When you need recapping, he can provide the necessary inspection and give you full details on how to apply for a certificate. And, his exclusive, nation-wide, factory-control Kraft System Tire Renewing will be your assurance of uniform quality treading.



### IF YOU ARE ELIGIBLE FOR NEW TIRES

—and must buy—ask your General Tire Dealer to explain how you can use your certificate to get the tire that has always been known for quality, mileage and safety... General.

THE GENERAL TIRE & RUBBER CO., AKRON, OHIO

of Indianapolis, only 54 turned out to be properly described. Consequence was a time-wasting influx of dozens of shop owners eager to enlist punch presses (a drug on the market) in tasks requiring such scarce machine tools as horizontal boring mills.

• **Success, However**—Nevertheless, of the 54 items accurately listed, 51 were satisfactorily placed for subcontracting with 15 different sources. Also placed two particularly tough jobs, which had gone begging for weeks, in a small but well-equipped precision shop at Laketon, Ind. Continental found in Indianapolis several high-quality subcontractors with facilities which it expects to keep busy for the duration.

With faces red from embarrassing errors in Indianapolis, but reassured by the over-all success of the test, the Stanleyites wheedled an O.K. on a broader-scale tryout at Chicago. They concluded—incorrectly, as it turned out—that the hardest job was to educate prime contractors in the merits and technique of the plan.

• **Selling the Big Fellow**—So they concentrated on cajoling big Chicago manufacturers into a classroom on the 37th floor of the Civic Opera Bldg. and schooling them in just how to perform their end of the Stanley Plan. Through April they had thus been in contact with 361 prime contractors, who are thereby entitled to have their coded wants listed at no cost in the weekly directory.

After a few days of this, they shifted their emphasis to dragooning potential subcontractors into the same classroom, teaching as many of them as appeared each afternoon how to list their shop facilities in the approved code and how to compare this information with the similarly coded job offers in a hypothetical directory printed as a textbook. A shop cannot get on the mailing list to receive the regular weekly directory until its representative has sat through at least one 75-min. class. By the end of last week there were 1,609 such subcontractor firms with the necessary credentials to receive the directory gratis.

• **Opportunities**—On Apr. 20, Vol. I, No. 1, of "Directory of Contract Opportunities" was delivered to about 150 subcontractors who had passed through this brief indoctrination. The Apr. 20 issue listed 95 jobs offered by 19 prime contractors, including such big-time names as Allis-Chalmers, American Locomotive, Automatic Electric, Automatic Transportation, Blaw-Knox, Continental Can, Crane, Electric Household Utilities, Link-Belt, Michle, and Pettibone-Mulliken.

WPB officials frankly say that this first try was hurried into premature publication, had less than a fair chance to succeed because the directory went to less than twice as many subcontractors as the number of subcontracts that it



## SMOKE OUT

*Smoke—thick, inky smoke—poured from stacks of Cleveland's industrial plants and office buildings last week, practically hiding the city during its first daylight air raid smokeout test. The area was definitely hidden from an altitude of 5,000 ft.*

listed. Nobody yet knows exactly how many subcontractors per item offered would be the ideal proportion, but the guesses range from 10 to 20. Nevertheless, even this first issue was rated successful. Surprisingly, 34 of the 95 listed items were subcontracted within the week—\$200,000 worth—leaving 61 items to be carried over to the next issue.

• **Steady Progress**—The Apr. 27 issue went out to 300 subcontractors, still far too few for the volume of work to be distributed. It listed 175 items, of which 53 were known to be subcontracted to readers of the bulletin by Apr. 30. Of the 25 prime contractors represented in this second edition, 12 were carryovers and 13 were newcomers.

In the May 4 edition, 17 carryover prime contractors and 9 newcomers were represented. Also there were several who had been in the first issue, who had withdrawn from the second issue because they had already filled their needs, and who now returned to use the Stanley Plan mechanism again. All told these no-cost advertisers listed 62 repeat items, 205 new items. The firms in the May 4 issue would surely get a run for their money, since this listing went out to 1,200 potential subcontractors. May 11 circulation should be about 3,000. The big increases are coming about through corraling, in evening meetings for classroom indoctrination, some big groups of prospects brought together by the Chicago mill supply dealers and the Illinois Manufacturers Assn.

• **Two Doubters**—Of ten prime contractors quizzed about their experience two days after publication of the second directory issue, only two were still dubious. These doubters indicated what may be a basic limitation of this method, since they had failed to draw qualified subcontractors for their listed high-precision, complex, multiple-operation jobs which require a large assortment of shop equipment.

The moral, one of these companies points out, is that you can't place work with a subcontractor unless he has the facilities for doing it. The prime contractors who advertised in code for relatively simple parts were uniformly delighted because thereby they had drummed up promising sources for work that required even the scarcer types of machine tools.

• **Examples**—Barrett-Cravens Co., for instance, offered seven parts for hydraulic lift trucks. Each piece required screw machine work—and available screw-machine capacity is one of the hardest to find today. The single insertion brought 22 different inquiries by mail, telephone, and personal call. As it happened the first caller, Emil J. Paidar Co., manufacturers of barber furniture, landed all seven of the jobs.

Electric Household Utilities Corp. placed coded listings for its Meadows Division of Bloomington, Ill., and its Hurley Machine Division of Chicago. The Meadows job—a high-precision screw machine part—was promptly landed by J. I. Case Threshing Machine Co., Racine, Wis. The Hurley job called not for production parts but for tool-room operations, making jigs, fixtures, tools, milling cutters, and other perishable tools the lack of which was slowing down the plant's war production.

• **On the Scene**—Representatives of three well-equipped toolmaking shops appeared in search of these orders, and are currently being loaded up with as much work as they can handle.

Electro-Motive Corp. listed a dozen high-precision machined small pieces, within two days had two well-qualified callers in search of these subcontracts. One of the really tough jobs was promptly placed with the Wittenmeier Machinery Co.

Link-Belt Ordnance Co. offered in the Apr. 27 issue two high-precision series of splines and gears, permitting no backlash. Over 100 inquiries were received on the first, chiefly from small specialty shops which were qualified to handle parts of the unit, but not the complete unit. Among them, the applicants are competent to take on the entire operation, parcelled out in bits and pieces.

Jos. Weidenhoff, Inc., listed 13 jobs, most of these requiring milling machines, with some shaper operations. Five qualified subcontractors promptly appeared, and the job will probably be closed within a few days.



# HOW THE PRICE FREEZE WORKS

First response to "The General Maximum Price Regulation" has been a flood of questions. Everybody is affected and everybody asks, "How does it affect me?" Business Week has carried to Washington the most frequent questions of manufacturers, wholesalers, and retailers. Here are the answers now available, based on official comments in the capital.

On April 28 the Office of Price Administration invoked the powers granted to it by the Emergency Price Control Act of 1942, and announced that it would freeze virtually all prices in the United States (BW—May 2 '42, p14). For this drastic wartime measure there is no parallel in American history.

True, in the NRA days of nearly a decade ago there was a comprehensive attempt to tuck the marketing system under a blanket of cartel-like bits and price-floor pieces. But to the average business man, NRA represented official sanction of an old belief that profits go up when prices (irrespective of other factors) go up. By contrast, the Price Control Act—and its new enabling order called "The General Maximum Price Regulation"—concerns itself with prices entirely from the viewpoint of slapping a lid on them. The object is to head off wartime inflation. Profits are a minor consideration.

• **With Teeth in It**—This measure is drastic—almost beyond the belief of a people accustomed to the tenets of a

socio-economic waywardness. The men who will administer it are grim and determined—also beyond the belief of a people whose public officials often are voted into office by the cut of their hair or the way they kiss a baby.

And because all this is so utterly uncommon, the queries it has started are legion. Business Week herewith ventures to answer those which will occur with greatest frequency, and around which many others will cluster themselves. One and all, such answers are based on official comment in Washington—most of it now securely on the record.

• **Four Question Groups**—For the sake of orderly presentation, these questions and answers will be channelized into four major groups: (1) The substance of the regulation; (2) its administration; (3) the details of its workings; and (4) the considerations necessary to its success. One reservation, however, should be borne in mind: Price control has not yet had any chance of "shaking itself down" legally or prac-

tically. Some major queries cannot be answered because they are still subject to review, by OPA or a proper court.

## 1. SUBSTANCE OF THE REGULATION

**What are the terms of the Maximum Price Regulation?**

No person shall sell or deliver any commodity or service at a price higher than its highest price during the month of March, 1942. Manufacturers, wholesalers, and retailers are uniformly included. (Land-owners whose rents are frozen will not be treated here; see page 50.)

**When does this regulation go into effect?**

For wholesalers and manufacturers it becomes effective May 11. Retailers must begin observing it May 18. For services sold at retail (such as repairs), the regulation applies as of July 1.

**Supposing a seller did not sell a particular commodity or service during March, how then is the maximum price determined?**

By the highest March "list" or "of-



These are the men behind Price Administration who will handle the already known and still unknown problems of the price con-

trol program. Left to right, Dr. John Galbraith, deputy administrator; John Hamm, senior deputy administrator; Merle Fainsod, director of Retail

Trade and Services Division; Hector Lazo, head of Trade Relations Branch of Retail Trade and Services Division; Dexter Keezer, deputy administrator.



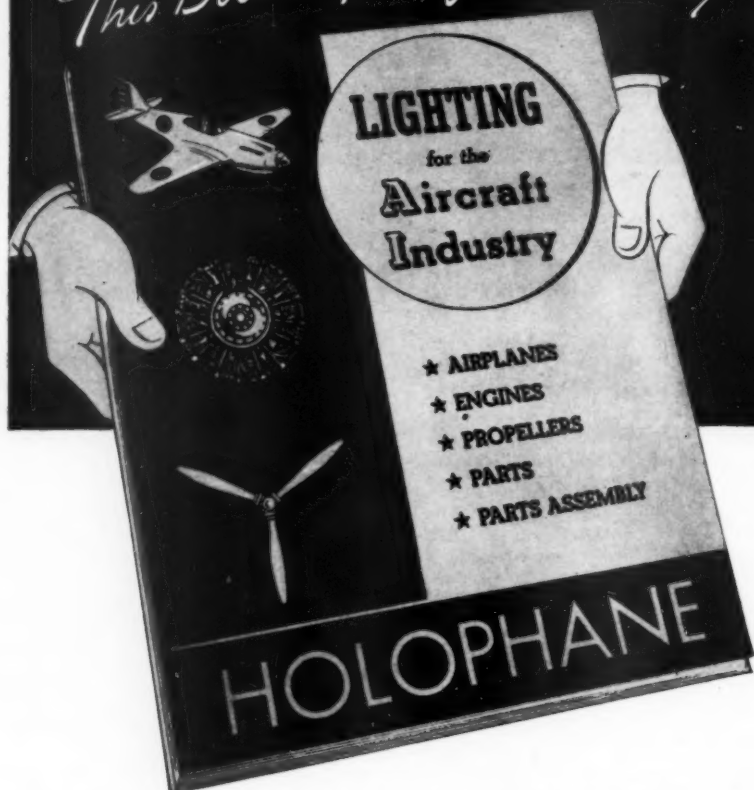
# For AIRCRAFT PRODUCTION EXECUTIVES:

How to Plan the Most Efficient Plant Lighting

How to Get the Full Results of Your Planning

How to Figure Cost, Maintenance, Installation

*This Book is Yours for the Asking*



It is a fact that many new plants now in war production are operating with a fraction (some as little as one-half) of the illumination for which they planned and paid. This waste is unnecessary . . .

The new bulletin "LIGHTING FOR THE AIRCRAFT INDUSTRY" contains:

- Comprehensive information on processes and economy in maintenance . . .
- Accurate tables for arriving at costs and economic comparisons of various lighting methods . . .
- Easy-to-use illumination charts (available for the first time) which give pre-determined information of expected lighting results.

Send today for this important reference book, prepared by the Holophane Engineering Department. No charge.

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fering" price (except that the "offering" price shall not be construed to be any fantastic bargaining or withholding figure). If there were no offering or list prices either, the maximum price will be that of the nearest commodity or service for which a charge, offer, or delivery was made. And failing that, the price must be gaged according to that of "the most closely competitive seller of the same class"—i.e., the seller must use the highest prices of his closest neighbor.

In those special instances where all the foregoing guides are of no avail, the wholesaler or retailer may select "from the same general classification and price range" the closest commodity of which he delivered the largest number of units in March, calculate its gross margin (based on replacement cost), and then apply this margin to the commodity in question. Within 10 days after this action, he must notify OPA on a special form designed for this purpose. Manufacturers, instead of using the margin principle, must confer with OPA as to what is a proper maximum price.

Does the imposition of price ceilings mean that all maximum prices will be the same?

Quite the contrary. Suppose Druggist A sold a certain brand of razor blade for a maximum price of 25¢ in March, and Druggist B sold it for a maximum of 23¢. The 2¢ differential between A and B will continue to prevail after the regulation takes effect.

That being the case, could Druggist A cut his price to 23¢?

Yes. The regulation merely sets maximum prices. Lower prices are expressly permitted.

In figuring maximum prices, may a seller eliminate discounts?

No. A seller may not "change his customary allowances, discounts, or other price differentials unless such change results in a lower price."

Suppose A buys B's establishment, what shall he use for maximum prices?

The old ceilings apply to the new owner so long as he keeps the original establishment open.

Are taxes a part of maximum prices?

Sales and use taxes, if collected separately in March, are excluded from maximum prices and should be collected separately, as before. If a seller "did not customarily state and collect such tax separately from the purchase price" in March, the seller shall include the tax in determining the maximum price, and may not collect the tax in addition to the maximum price. In the event of imposition of any future taxes which may be collected separately, the seller may add them to the maximum price if he separately states the amount of the tax.

What records must the seller keep?

He must keep all records relating to

charges made during March, 1942, and all "offering" (usually list) prices. Next, on or before July 1 he must prepare and thereafter "keep for examination by any person during ordinary business hours" a statement showing (1) his maximum March prices together with a description or identification of the commodities to which they pertain, and (2) all his customary allowances, discounts, and other price differentials. Finally, current records must be kept in proper shape for examination.

**How should retailers inform the public of maximum prices?**

"Cost-of-living" commodities (see the list on page 30) must be marked by price tags, or by holders on racks and bins, or by a poster giving the entire schedule. The statement for each commodity should read "Our ceiling price \$...." For certain items (mainly apparel and furniture) maximum prices may be tabulated on the poster according to price lines, but each article must additionally be marked with its exact price.

On or before July 1, every retailer selling cost-of-living commodities must file with his War Price and Rationing Board (the boards now controlling scarcities) a statement of his maximum prices for each such commodity, together with description or identification. This original statement must be kept up-to-date by filing, on the first of each month, statements of any new cost-of-living commodities offered for sale.

**What records may the buyer obtain from the seller?**

He may obtain the customary sales slip, receipt, or other evidence of purchase, and if the seller has been in the habit of automatically issuing such papers he must continue to do so. Additionally, any buyer may request "a receipt showing the date, name and address of the seller, the name of each commodity or service sold, and the price received for it."

**Must sellers be registered?**

Retailers and wholesalers must. OPA will later inform them exactly when and how.

**Must wholesalers and retailers also be licensed?**

Yes. But this license is automatic for all existing and future establishments. No formalities are necessary.

**Is there any way to obtain an adjustment on prices under the order?**

There is a specific clause pertaining to retailers stating that if they are caught with unduly low selling prices in March or in an unfavorable position vis-a-vis manufacturers and wholesalers, they may petition for relief by writing the Retail Trade and Services Division, Office of Price Administration, Washington, D.C. The original Emergency Price Control Act of 1942 also contains provisions for court relief. But, because of



## Faster Driving • Less Effort • Better Work = 50% Less Assembly Cost with Phillips Screws

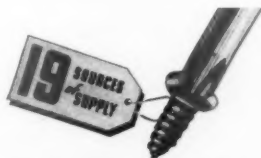
It seems reasonable to expect more production and better work from a man who doesn't have to sweat and strain (and curse) in order to drive a screw.

Plants which have switched over to Phillips Recessed Head Screws do find that quantity and quality both respond nicely to the change. The Phillips Screw clings to the driver, transmits driving power more efficiently, prevents screw-driver slippage, drives straight automatically and doesn't chew up when you start to drive it home. On top of that, it is more often practical to use electric or pneumatic drivers.

With so many nuisances and strength-wasters eliminated, operators do better work, even in awkward positions or even if inexperienced. Where accuracy is important, it is easier for them to line the job up right — seat the screws securely — and avoid costly rejects.

So keep your men cool as cucumbers with Phillips. Meanwhile, you'll be pleased as Punch to find that assembly costs are cut in half as a result of Phillips Screws.

Any of the Phillips Recessed Head Screw manufacturers listed below can furnish screws and facts.



**PHILLIPS RECESSED HEAD SCREWS**

**GIVE YOU 2 for 1 (SPEED AT LOWER COST)**

WOOD SCREWS • MACHINE SCREWS • SHEET METAL SCREWS • STOVE BOLTS • SPECIAL THREAD-CUTTING SCREWS  
• SCREWS WITH LOCK WASHERS

American Screw Co., Providence, R. I.  
The Bristol Co., Waterbury, Conn.  
Central Screw Co., Chicago, Ill.  
Chandler Products Corp., Cleveland, Ohio  
Continental Screw Co., New Bedford, Mass.  
The Corbin Screw Corp., New Britain, Conn.  
International Screw Co., Detroit, Mich.  
The Lamson & Sessions Co., Cleveland, Ohio  
The National Screw & Mfg. Co., Cleveland, Ohio

New England Screw Co., Keene, N.H.  
The Charles Parker Co., Meriden, Conn.  
Parker-Kalon Corp., New York, N.Y.  
Pawtucket Screw Co., Pawtucket, R.I.  
Pheoli Manufacturing Co., Chicago, Ill.  
Russell, Burdall & Ward Bolt & Nut Co., Port Chester, N.Y.  
Scovill Manufacturing Co., Waterbury, Conn.  
Shakeproof Inc., Chicago, Ill.  
The Southington Hardware Mfg. Co., Southington, Conn.  
Whitney Screw Corp., Nashua, N.H.

## Their Prices Must Be Posted

A retailer who sells any of these "cost-of-living commodities," so designated by the Office of Price Administration, must post them in his store giving his ceiling price on each.

Those marked with an asterisk may be posted by price-lines, rather than by individual items, but each item must be marked by its exact price. (See the accompanying article.)

### TOBACCO, DRUGS, TOILETRIES, AND SUNDRIES

#### TOBACCO

Cigarettes  
Smoking tobacco

#### PACKAGED HOUSEHOLD DRUGS

Aspirin tablets  
Milk of magnesia, liquid  
Cod liver oil, liquid  
Epsom salts

### APPAREL AND YARD GOODS

#### MEN'S AND BOYS' CLOTHING

Suits, business and sport\*  
Overcoats, topcoats, raincoats\*  
Trousers and slacks  
Men's shirts, other than formal\*  
Pajamas and nightshirts, cotton, wool, and part wool  
Shorts, cotton  
Undershirts, cotton knit  
Union suits  
Hosiery, other than pure silk and pure wool\*  
Felt hats\*  
Work shirts  
Work pants  
Overalls and coveralls  
Sweaters  
Mackinaws\*  
Jackets, boys' only\*  
Men's work gloves  
Boys' blouses and shirts  
Boys' snow suits\*

Boric acid  
Castor oil and mineral oil  
Witch-hazel and rubbing alcohol

#### TOILETRIES AND SUNDRIES

Hand and toilet soaps  
Dentifrices  
Shaving cream  
Toothbrushes

#### WOMEN'S AND GIRLS' CLOTHING

Coats\*  
Suits\*  
Dresses, street and house\*  
Hosiery, including anklets\*  
Panties and slips\*  
Foundation garments and brassieres\*  
Women's gloves, children's gloves, and mittens\*  
Skirts  
Blouses and shirts, tailored, rayon or cotton\*  
Sweaters  
Children's jackets\*  
Nightgowns and pajamas, other than silk\*  
Robes and house coats, flannel and cotton\*  
Children's overalls, slacks, sun suits and shorts (cotton only)\*  
Children's snow suits\*

Sanitary napkins  
Razor blades  
Facial tissues

#### INFANTS' FOOD

All types

#### ICE CREAM

Bulk and packaged

#### INFANTS' CLOTHING

Diapers  
Dresses, other than silk  
Shirts  
Binders  
Sleeping garments  
Coats, cotton, wool, part wool  
Sweaters  
Sunsuits (cotton only)

#### YARD GOODS

Cotton yard goods  
Rayon yard goods  
Wool and mixtures of wool

#### FOOTWEAR

Street, work, dress, and sport shoes for men, women and children\*  
Infants' shoes  
Rubber footwear

### FOOD AND HOUSEHOLD SUNDRIES

#### MEAT

Fresh beef  
Rib roast  
Chuck steak  
Top round steak  
Rump roast  
Chuck roast  
Beef liver  
Ground round steak  
Pork  
Loin whole roast  
Rib end roast  
Loin end roast  
Best center cut chops  
Bacon  
Ham, whole, half, or sliced  
Salt pork  
Other meat products  
Cooked or smoked ham  
Frankfurters

#### CANNED FRUITS, VEGETABLES, AND JUICES

Canned peaches  
Canned pears  
Canned pineapple  
Canned corn  
Canned peas  
Canned tomatoes  
Canned pork and beans  
Canned green beans  
Canned tomato juice  
Canned grapefruit juice  
Canned pineapple juice

#### OTHER GROCERIES AND HOUSEHOLD SUNDRIES

Canned salmon  
Canned vegetable soup

Canned tomato soup  
Packaged flour mixes  
Macaroni and spaghetti  
Rolled oats  
Corn flakes  
Bread, all types  
Soda crackers  
Fresh milk and cream  
Lard, bulk and print  
Vegetable shortening  
Sugar, all types  
Coffee  
Cocoa  
Table salt  
Corn meal, bulk or packaged  
Rice, bulk or packaged  
Toilet paper  
Soaps  
Paper napkins

### HOUSEHOLD FURNITURE, APPLIANCES, AND FURNISHINGS

#### APPLIANCES AND EQUIPMENT

Radio and phonographs  
Vacuum cleaners and carpet sweepers  
Refrigerators and iceboxes  
Washing machines  
Sewing machines  
Stoves and ranges  
Small appliances: irons, toasters, glass coffee makers, and mixers  
Floor lamps and bridge lamps  
Light bulbs  
Ironing boards

Step-on cans  
Floor brooms  
China and pottery tableware, in sets  
Cooking utensils (10 quart, 5 quart, 2-quart saucepan, 5-quart teakettle)

#### FURNITURE

All living room, dining room and bed room suites (sets or individual pieces)  
Kitchen tables and chairs  
Studio couches and sofa beds  
Mattresses  
Bedsprings

#### FURNISHINGS

Rugs and carpets, size 6 by 9 feet and larger  
Linoleum  
Felt base floor coverings  
Bed sheets and sheeting, cotton\*  
Towels, cotton bathroom and kitchen\*  
Blankets and comforts\*  
House curtains\*  
Bed spreads, cotton\*  
Tablecloths and napkins, plain and print (cotton only)\*  
Window shades

### HARDWARE, AGRICULTURAL SUPPLIES, MISCELLANEOUS

Hayforks  
Garden and lawn rakes  
Dirt shovels  
Axes, single bit  
Claw hammers

Handsaws  
Inside and outside house paints (ready mixed)  
Fertilizer, bulk and packed  
Vegetable seeds\*

Insecticides  
Bicycles, adult sizes  
Bicycle tires  
Flashlights

### ICE, FUEL AND AUTOMOTIVE

Ice  
Coke  
Coal (hard and soft)  
Charcoal

Firewood  
Kerosene  
Fuel oil

Gasoline  
Oil  
Tires and inner tubes

their technical nature, these had best be tackled by a lawyer.

What are the penalties for violating the regulation?

First of all, OPA may obtain either temporary or permanent injunctions against violations. Also, willful violations or false documents may be prosecuted, and, if a conviction is obtained, result in a \$5,000 fine or imprisonment up to one year or both. Furthermore, buyers who have been cheated on any commodity purchased "for use or consumption other than in the course of trade or business" may sue the seller for \$50 or treble the amount of cheating (whichever is greater) plus court costs. Finally, OPA may ask suspension of a chronic violator's license for as long as 12 months.

Are any commodities or services exempt from the regulation?

Yes. See the accompanying list. Incidentally, commodities or services for which OPA has—or will—issue special price ceilings do not come under the general regulation.

## II. ADMINISTRATION

What is the administrative setup of OPA? Who will administer the regulation from the viewpoint of (1) buyers and sellers, and (2) ultimate consumers?

To some extent this setup is still being pieced together. A final summation won't be possible here. But this is how things shape up now:

At the top of the heap is OPA headquarters in Washington with Leon Henderson as administrator. Business men, in dealing with OPA, will, for the time being, often deal directly with Washington. Retailers, as distinguished from their manufacturer and wholesaler colleagues, will communicate with a particular branch of the Washington setup—the Retail Trades and Services division of which Merle Fainsod is director. Additionally, OPA has eight regional offices (see list on page 37), which may be consulted for clarification of any order or complaints against it.

Later, OPA will set up 48 state offices. Beneath them will be a series of district offices, and at the very base of the pyramid will be a group of local offices.

Consumers (in the sense of housewives) may make their complaints to their nearest rationing boards. These are also under OPA jurisdiction. Currently approximately 9,000 such boards are in existence, but more will be added. Local OPA boards may also be consulted by the housewife.

How is the personnel setup chosen?

The Washington personnel is Washington appointed. Field men are chosen by the main OPA office from selections sent in by the various defense councils.

What is the background of the top OPA officials?

Leon Henderson was former assistant professor of economics at the Carnegie Institute of Technology, director of



# How to shout without making a noise...



**R**EMEMBER the first traffic lights? Every time they changed color a bell rang, and a busy street corner sounded like the order desk in a department store.

It didn't take the traffic light people long to learn that light could be made to shout silently. They borrowed a page from the railroads' experience and came to Corning for colored lenses that instead of emitting a pale watery glow, gave a brilliant distinct signal in any kind of weather.

Corning's scientific research in colored lenses goes way back to 1899 when the railroads demanded colors that would not be mistaken under the worst weather conditions. Corning later helped set up standards for color that are

in use today, not only on railroads but for airline and marine travel as well.

Many of Corning's most important contributions to everyday life are similar developments. The Pyrex brand dishes your wife uses are an outgrowth of the first heat resistant railway lantern globe. Beautiful Steuben crystal came partly at least from study of glass for sun lamps.

Glass is an important material today with America at war. Luckily it is fairly plentiful. In some instances it replaces tons of metals and metal alloys. And there are many other places where a more thorough understanding of its unique qualities might lead to release of even more metal for war use.



If you have any such possibilities in mind, we would like to hear from you. We're busy, but never too busy to talk over what looks like a good idea. Corning Glass Works, Corning, N.Y.

**CORNING**  
— *means* —  
**Research in Glass**

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consumer credit research for the Russell Sage Foundation, board member of NRA, and economist to various government bodies. He is frank, fearless to the point of pugnacity, is acknowledged to be utterly honest even by the most vituperative of enemies. Henderson consistently favored strict wage and farm controls as concomitants to a price ceiling, but failing to get them will nonetheless plug what he has for all it's worth.

John E. Hamm, senior deputy administrator, was secretary of the staff compiling the Princeton Survey of the New Jersey State Government, assistant to the managing director of the American Management Association, member of NRA, and assistant director of the department of consumer studies for the Russell Sage Foundation.

Dr. John Kenneth Galbraith, deputy administrator, is on leave from Princeton University where he is assistant professor of economics. Merle Fainsod, director of the Retail Trade and Services Division, is assistant professor of government at Harvard University, and is now on leave of absence.

Hector Lazo, head of the Trade Relations Branch of the Retail Trade and Services Division, is president of the Cooperative Food Distributors of America (BW—Feb. 28 '42, p44). Though out-ranked by half a dozen men, Lazo will perhaps be as important as any to the 1,700,000 retailers and 200,000 wholesalers of America. He is of their ranks, speaks their language. His choice for an OPA berth hinged largely on the fact that, despite his grass-roots leanings, he has an imposing ability to condense practical matters into the confines of a theory.

**Will business management men play any rôle in the administrative setup of OPA?**

Yes, definitely. Retailers will be invited into the fold, first of all because the regulation affects them most drastically. Plans are now afoot to have retailers represented on rationing boards, also to create a liaison group of retailers who will permanently function in Washington beside OPA. Details are still being worked out.

### III. DETAILS OF THE REGULATIONS

There has been much talk of "squeezes" and "rollbacks." What do these terms signify?

The word "squeeze" is of primary importance, and may be illustrated by an example. Suppose a manufacturer makes a tube of toothpaste to sell for 20¢ to a wholesaler. The latter, in turn, sells to a retailer for 30¢, and the retailer sells the housewife for 40¢. Let's say it takes three months for a particular tube of toothpaste to pass through the manufacturer - wholesaler - retailer - housewife route.

Now the day after the manufacturer

## Exempt From the Price Freeze

### COMMODITIES

- (1) Any raw and unprocessed agricultural commodity or greenhouse commodity while it remains in substantially its original state, except that bananas shall be governed by this Regulation.
- (2) Eggs and poultry.
- (3) All milk products, including butter, cheese, condensed and evaporated milk, except that fluid milk sold at retail, cream sold at retail, and ice cream shall be governed by this Regulation.
- (4) Flour, except that packaged cake mixes and other packaged flour mixes shall be governed by this Regulation.
- (5) Mutton and lamb.
- (6) Fresh fish and seafood, and game.
- (7) Dried prunes, dry edible beans, leaf tobacco (whether dried or green), nuts (but not peanuts), linseed oil, linseed cake and linseed meal, mixed feed for animals, and manure.
- (8) Living animals, whether wild or domestic.
- (9) Books, magazines, motion pictures, periodicals, newspapers, and materials furnished for publication by any press association or feature service.
- (10) Domestic ores and ore concentrates.
- (11) Stumpage, logs, and pulpwood.
- (12) Stamps and coins; precious stones; antiques and knotted oriental rugs; paintings, etchings, sculptures and other objects of art.
- (13) Used automobiles.
- (14) Wood and gum for naval stores, and naval stores prior to sale to industrial consumers, or prior to the first sale to a distributor; provided, however, that this Regulation shall apply to all sales of such commodities on any exchange.
- (15) Securities.
- (16) Such other commodities as may be specified by supplementary regulations issued under this section.

### DELIVERIES AND SALES

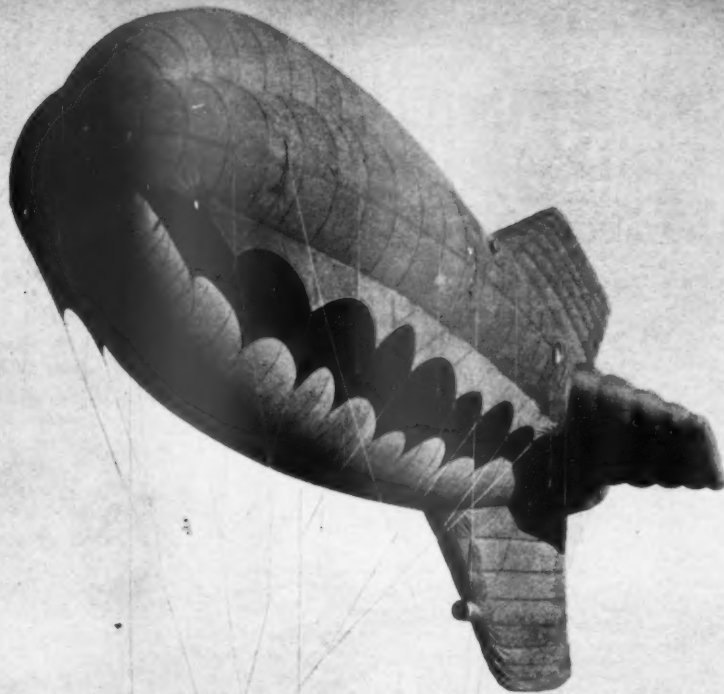
- (1) By a farmer, of commodities grown and processed on his farm, if the total of such sales or deliveries does not exceed \$75 in any one calendar month.
- (2) By any merchant, farmer, artisan, or person who renders professional services, of his used supplies, or business, farm, or professional equipment, not acquired or produced by him for the purpose of sale.
- (3) By an owner, of his used personal or household effects or other personal property used by him.
- (4) At a bona fide auction of used household or personal effects.
- (5) By hotels, restaurants, soda fountains, bars, cafes, or other similar establishments, of food or beverages prepared and sold for consumption on the premises.
- (6) By a breeder, trapper, or hunter, of pelts, furs, or other parts of wild animals raised by him, or trapped, shot, or killed by him, if the total of such sales or deliveries does not exceed \$75 in any one calendar month.
- (7) Of commodities sold without private profit in the course of any sale, fair, or bazaar conducted for a period of not more than 15 days by any religious, charitable, or philanthropic organization.
- (8) To the United States or any agency thereof of such commodities or in such transactions as may be specified by supplementary regulations issued under this section.
- (9) Such other sales and deliveries as may be specified by supplementary regulations issued under this section.

### SERVICES

- (1) Services of an employee to his employer.
- (2) Personal services not rendered in connection with a commodity.
- (3) Professional services.
- (4) Motion pictures, theatres and other entertainments.
- (5) Services of a common carrier or public utility.
- (6) Advertising services, including radio broadcasting.
- (7) Insurance and underwriting services.
- (8) Press association and feature services.
- (9) Services relating solely to real property.
- (10) Such other services as may be specified by supplementary regulations issued under this section.

sells this particular tube of toothpaste, he raises toothpaste prices 10¢, making the new price 30¢. The day after the wholesaler sells the particular tube we have been talking about, he raises his price 4¢, whereupon the new price is 34¢. Assume now that the government

freezes prices. What happens? The manufacturer is now charging 30¢ for what had been a 20¢ item; the wholesaler, 34¢ for a 30¢ item. The retailer is stuck. His price is still 40¢. At a 6¢ margin he can't make any profit, and it's questionable whether the wholesaler will get



# BAD NEWS for DIVE BOMBERS

**A**RM CHAIR strategists who criticize America's war effort from the sidelines—without knowledge of what is actually being done—have some surprises coming. *Important projects are being rushed to completion now in hundreds of American engineering and production plants, which will give our forces the superiority in arms we need to immobilize and defeat the enemy.*

Unfortunately, the public must rely upon *faith, rather than information*, until these projects are fully accomplished. The enemy has notoriously big ears, and they must not be allowed to overhear, or read information over our shoulders which would help them in their assaults against us.



Here, however, is one project which is no longer a military secret.

Marmon-Herrington engineers, months before the attack on Pearl Harbor, at the request of the army, started work on an improved type of speedy and dependable winch for raising and lowering our new barrage balloons. Numerous steel cables, holding these balloons, form a curtain of steel to pre-

vent effective dive bombing of strategic production and military areas.

Thousands of these new winches, better than any ever used for the purpose before, are now coming off the assembly lines. Mounted on fast "all-terrain" Marmon-Herrington trucks, or on skids for permanent placement, they are laying traps for dive bombers in scores of places where they are needed most.

Americans like to grumble and grouse about things they cannot see with their own eyes—but this is a time when we should all pull together and give our responsible officials the benefit of the doubt. "On order" a year ago is "in production" now—and how!

# MARMON-HERRINGTON

INDIANAPOLIS, INDIANA



# "GREEN HANDS"

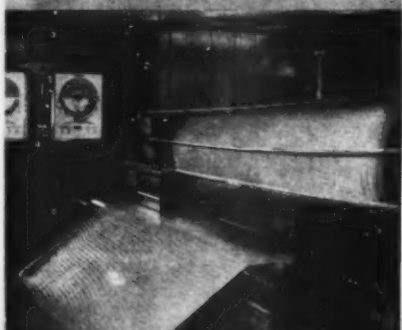
can overcome vital shortages!



Simple setting of an automatic Foxboro Air Weight Controller steps up foundry output by eliminating scrap and pigging.



Foxboro Verigraph Recorders help operators hold rubber coatings absolutely uniform... conserve vital war materials.



**ALL-OUT** production in your plant may be handicapped by three vital shortages... limited supplies of imported raw materials; scarcity of domestic supplies; or skilled-labor shortage. With the aid of Foxboro Measurement and Control Instruments, even the unskilled workmen from your employment line can help to remedy all three!

For, all the guesswork is eliminated from production processes, when Foxboro Instruments provide precision automatic guidance and control. "Green hands" need but little training to handle exacting operations accurately... "old hands" work with greater speed and assurance. The results are: higher output from present equipment; greater uniformity; absolute minimums of waste and spoilage.

Learn what Foxboro Instruments can do to improve any process in your plant requiring controlled Temperature, Pressure, Flow or Level. Write for information. The Foxboro Company, 120 Neponset Avenue, Foxboro, Massachusetts, U. S. A.

## FOXBORO

Reg. U. S. Pat. Off.

MEASUREMENT AND CONTROL SYSTEMS

rich on his 4¢. The manufacturer, however, isn't caught. His new price in this case is based on replacement cost, so that for him the freeze means little or nothing.

The time lag, illustrated in the foregoing example, has put a financial "squeeze" on the retailer, and mayhap the wholesaler. Therefore, a "rollback" has to be invoked. That is, by special order of OPA following retailer and/or wholesaler complaint, the whole rigmarole has to be returned—to some measure, at least, to the old 20¢-30¢-40¢ spreads.

Wouldn't it be easier for the government to allow increases in wholesale and retail prices rather than roll prices back?

It would be much easier to allow price increases rather than use rollbacks. But Henderson says this won't be done. His object is to hold prices down, not jack them up.

But supposing the manufacturer can't roll back his prices. Wages aren't controlled. What if interim wage costs have increased to the extent that old price levels are never again obtainable without disastrous loss?

Where wages, farm prices or other uncontrolled items have risen appreciably, the manufacturer will be subsidized by the government.

Does the law admit such subsidies in its present form?

OPA officials say they believe more legislation is necessary, even though the Emergency Price Control Act of 1942 provides for "subsidy payments . . . to domestic producers . . . [when] necessary to obtain the maximum necessary production." Whatever the case, subsidies will be used where needed.

How great is the "squeeze" expected to be?

Estimates vary from less than \$1,000,000,000 to a blue-sky \$5,000,000,000 annually. There is no official answer.

Assuming, for the sake of argument, that the squeeze will be \$2,000,000,000 a year, does that mean the government will have to plan on \$2,000,000,000 of subsidies?

No. Present profit margins will not be honored in many cases, thus cutting the amount of subsidy. In other instances, rollbacks may be employed without any subsidy whatsoever (in which instance manufacturers will have to absorb losses on high-priced inventory and/or whatever increased costs may occur in the purchase of raw materials).

Since present profit margins may not be preserved, how does this affect the outlook for retailers?

It is possible that in the big retailing fields—food and clothing—profits may drop 33% to 50%. These are, of course, somewhat speculative averages, applicable only in a general way.

But since dwindling profits won't be uncommon, wouldn't it be wise for a

retailer in a shaky position to liquidate his business now rather than try to hang on?

The government cannot officially advise a retailer how to run his business. Expert opinion (unofficial) however, is that a shaky retailer should not try to buck severe times if he can liquidate advantageously and find a new source of income elsewhere.

Since retailers will be squeezed and may expect lower profits, won't they try to trim their expenses to provide financial leeway? Is this acceptable to the OPA?

Yes, it is. For instance, a retailer may begin making extra charges for delivery service; or he may cut out his deliveries entirely without changing prices. As another alternative, any seller has the privilege of discontinuing lines on which he would have to take a high loss. The regulation, in short, cannot compel anyone to handle specific types of merchandise, or force anyone to sell against his wishes. It's conceivable that some wholesalers might want to keep their stock for a while, hoping they could sell to better advantage later on. There's nothing to prevent this (but if a wholesaler hangs onto a stock of essentials, he'd better calculate the risks of requisitioning if the war gets tough enough).

Furthermore, manufacturers may ease their burden by simplifying packages, eliminating expensive wrappings, and cutting down on doodads. They do not have to pass these economies along in their prices. For the regulation deems two pieces of merchandise to be similar if they are of fairly equivalent serviceability, belong to the same type, and would ordinarily fall in the same price line. Style is not a consideration. Therefore, simple changes are permissible. But adulteration of quality will be watched carefully.

May a manufacturer save money by eliminating advertising allowances? Or discounts?

Not if he granted them in the base period. The regulation is specific on this point. However, since advertising allowances are usually matched by a similar expenditure on the part of retailers, it would be possible to terminate them by working out a joint agreement with retailers.

Supposing any seller has been cutting prices below his competitor, is it now possible to raise prices to conform to the competition?

Not if the cut prices were used throughout the base period. Cut prices are part of the American competitive system, hence part of the normal price structure. That structure is now frozen. So are cut prices.

Supposing that during the base period a manufacturer featured a combination deal, plainly intended to be a temporary measure. Must he continue the deal?

Probably not. If it was a bona fide

temporary measure, he may apply to OPA for permission to terminate it. It is true that combination deals are generally similar to price cuts. But their indirection and very limited character entitles them to special consideration. They are usually not part of a "normal" price structure.

What if a wholesaler or manufacturer has issued a new price list, but did not make any sales under it. Is he bound by the old March price ceilings?

Yes.

## WHERE TO ASK

To advise and check on its price control system, OPA is setting up 48 state offices, numerous district offices, a large group of local offices. Already in existence are these eight regional offices, each directed by the man whose name is given with the address:

Atlanta, Ga.  
First Federal Bldg.  
46 Pryor St.  
Oscar R. Strauss, Jr.

Boston, Mass.  
Old Colony Trust Bldg.  
17 Court St.  
Kenneth B. Backman

Chicago, Ill.  
20 N. Wacker Drive  
John C. Weigel

Cleveland, Ohio  
363 Union Commerce Bldg.  
Birkett Williams

Dallas, Tex.  
Tower Petroleum Bldg.  
1907 Elm St.  
Maxwell McCullough

Denver, Colo.  
334 U. S. National Bank Bldg.  
Clem W. Collins

New York, N. Y.  
714 Chanin Bldg.  
122 E. 42nd St.  
Sylvan Joseph

San Francisco, Calif.  
705 Newhall Bldg.  
Harry F. Camp

Suppose this new price list went into effect in March, and the manufacturer or wholesaler made some sales under it, but not to all of his customers. What, now, is his maximum price?

The new list will be the criterion, so long as a single completed sale was made under it. But by "sale" is meant a sale with delivery in March.

Suppose a dealer ordered \$1,000 worth of merchandise from a wholesaler in April. At March deliveries, the price would have been \$750. What happens now?

If the wholesaler can deliver before

May 11, the retailer must pay \$1,000. If delivery is made after May 11, the cost is the highest March price, presumably \$750 in this instance.

As a matter of fact, wholesalers and manufacturers have been shipping at a furious rate, hoping to make deliveries before the ceiling goes into effect. Angry retailers have threatened to refuse payment for this merchandise unless March prices are observed. But legally they cannot withhold payment, and OPA very likely can't help them obtain March quotations. Cancellation of orders may be one way out—if such cancellation is permitted in the sales contract.

In view of this situation, why didn't OPA expressly state that the March prices immediately go into effect (on April 28) for wholesalers and manufacturers? Wouldn't this have helped the retailer?

It certainly would have helped the retailer, but it would have put manufacturers and wholesalers in a tough spot. They had to be given some consideration, too. As it is, the ceiling goes into effect for them one week earlier than for retailers.

In speaking of maximum "prices"—what is meant?

The prices of delivered or supplied merchandise. If there were no deliveries, the "offering" price obtains.

Suppose a manufacturer or wholesaler is aware that the price regulation severely hurts an old, faithful customer. So he makes an adjustment. Will he have to give this adjustment to all other customers?

Not so far as OPA is concerned. But beware of the Robinson-Patman Act if this kind of adjusting begins to smack of serious favoritism.

Importers now often pay higher prices for merchandise than they are allowed to charge under March ceilings. Must they continue to sell at ceiling prices?

Legally, yes. Adjustments may be made later by OPA. But until then, the ceiling stands.

Does the ceiling apply to capital as well as consumer goods?

It applies to everything except those items specifically exempt. Capital goods, as a category, are not exempt.

Automatic licenses are now granted to wholesalers and retailers. Will anybody be denied a license; will the license be used to limit the number of new enterprises?

No. Everybody gets a license so long as he behaves himself.

Why weren't manufacturers licensed?

There's no point in licensing them. The object of a license is to hold a club over the heads of violators—a threat to drive them out of business for as long as a year. If a retailer or wholesaler is suspended, his old customers will go elsewhere. But if a manufacturer were ordered to shut



**"Take a note, Miss Walsh,  
to men with  
production troubles"**



**HECKER** may have the answer to your tool, jig and fixture problems. Many of the country's leading airplane and war production plants are using **HECKER** tooling service. And they come back for more, regularly.

The **HECKER** plant is a proving ground for a lot of our tools. You see, in addition to being designers and builders of tools, jigs and fixtures, we're fabricators of airplane parts for other manufacturers. **HECKER** tools do an efficient job on our production. They'll do the same for you.

**HECKER** tool engineers follow their designs through to completion, even placing them in production, when desirable. Because these engineers know what to expect of men and machine tools, you get maximum production when **HECKER** tools, jigs and fixtures are on the job. If we can help you, write A. W. Hecker, 1974 E. 66th St., Cleveland, O.

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HECKER**

DESIGNERS AND BUILDERS OF TOOLS, JIGS  
AND FIXTURES . . . FABRICATORS OF AIRCRAFT PARTS

down, valuable production would be stopped. That's not desirable. The manufacturer can be chastised by means other than a shutdown.

If a new retailer comes into existence after the regulation goes into effect, how will he price his merchandise?

The regulation specifically says he should charge according to what is charged by the "most closely competitive seller of the same class"—i.e., he has to use his neighbor's price ceilings for a guide.

The base period (March, 1942) is not the actual base period in all instances, is it? Suppose nothing of a certain line is sold during this period, does not the ceiling then become the highest price of prior transactions?

No. If no sales or deliveries were made, the highest "offering" (usually list) price must be used.

But in the case of seasonal goods, not even an offering price may be available. What then?

OPA has made no ruling on seasonal goods (although retailers repeatedly asked for a special clause in the regulation). It seems, however, that the margin principle, described earlier, will be invoked. Further word is due from OPA on this topic.

What about the price of non-recurring transactions? What should the maximum ceiling be on custom-built furniture?

If the furniture is totally unlike any furniture for which a ceiling is determined, apply for a ruling to Merle Fain-sod, Office of Price Administration, Washington, D. C.

Will chain stores be able to weather the storm better than independents?

Chain stores have some advantages not accruing to independents. For instance, many chain and mail order houses have their own factories, therefore can immediately make inter-corporation price adjustments. Also, in such instances the chain is making two profits—one at the manufacturing level, and one at the retailing level. Profits in the aggregate are, therefore, more assured than the profits of a seller operating only at the retail level. And in any event, the big capital and inventories of the chain provide a "breathing space" until OPA can give relief from the hardships of the regulation. However, chains will not escape intact.

Why didn't OPA set different ceilings for manufacturing, wholesaling, and retailing? That would have obviated a rollback, wouldn't it?

This question can best be answered by another: Just what date would have been chosen? In other words, different commodities need different rollbacks. Furniture may not need any at all. Therefore selective rollbacks seem to be preferable, in the eyes of OPA, to a hit-or-miss stagger system.

Why was the March base date



chosen? Why not last December? Prices were lower in December than they were in March.

It is true that December prices were lower than March prices, but December is ancient history so far as the keeping of records is concerned. Many a retailer's bookkeeping is so rudimentary that December—to him—might as well be the Middle Ages. Therefore a more recent date had to be chosen. It's a record-keeping consideration.

Items sold under fair-trade contracts—such as drugs—usually have the spread between manufacturer, wholesaler, and retailer exactly spaced. There won't be a squeeze here, will there?

Not if the manufacturer marked up his contracts as his own costs increased; and if the retailer, furthermore, really adhered to contract prices.

#### IV. GENERAL CONSIDERATIONS

##### Will price regulation work?

That depends on the definition of the word "work." Leon Henderson has said that retail ceilings won't be pierced. In that case, the regulation will work, providing only that evasions don't become rampant. It seems safe to say, however, that the rise in the cost of living will be definitely arrested.

What about farm prices? The Emergency Price Control Act of 1942 clearly says no ceiling can be placed on agricultural commodities below 110% of parity. It also says that "no maximum price shall be established or maintained for any commodity processed or manufactured in whole or substantial part from any agricultural commodity below a price which will reflect to producers . . . a price . . . equal to [110% of parity]." Nevertheless the price of rolled oats was put under a ceiling. How can this be done? Oats are way under 110% of parity.

This question can't be answered until all the legal rulings are accounted for—and they're sure to come. But OPA thinks it is on safe ground most of the way. In the first place, rolled oats (used for illustration in the question above) are a processed commodity. If, in OPA's eyes, the farmer's raw oats are not a "substantial" part of processed rolled oats, then of course the price of rolled oats can be fixed without any qualms.

But assuming raw oats are actually a "substantial" ingredient of processed oats, it nevertheless is equally true that the rolled oats now being sold in stores was made from below-parity raw oats. To set the retail price at a level reflecting 110% of parity would put OPA in the position of legalizing a flagrant piece of profiteering.

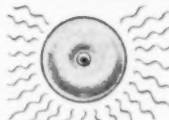
And anyhow, it appears that OPA can set a price, so long as it is not "maintained" to the disadvantage of a rise toward 110% of parity. No more can be said. It all hinges on delicate

## THEY SET A TRAP...



### 1 THE PUMP ROOM of the "C"

Oil Company is located under a \$1,500,000 still. Positive fire protection is imperative. So the company installed a LUX system. This fire-fighting system included LUX pressure trips for windows, door and ventilator. One day the head of an oil pump "let go." Hot oil sprayed over the room and burst into flame.

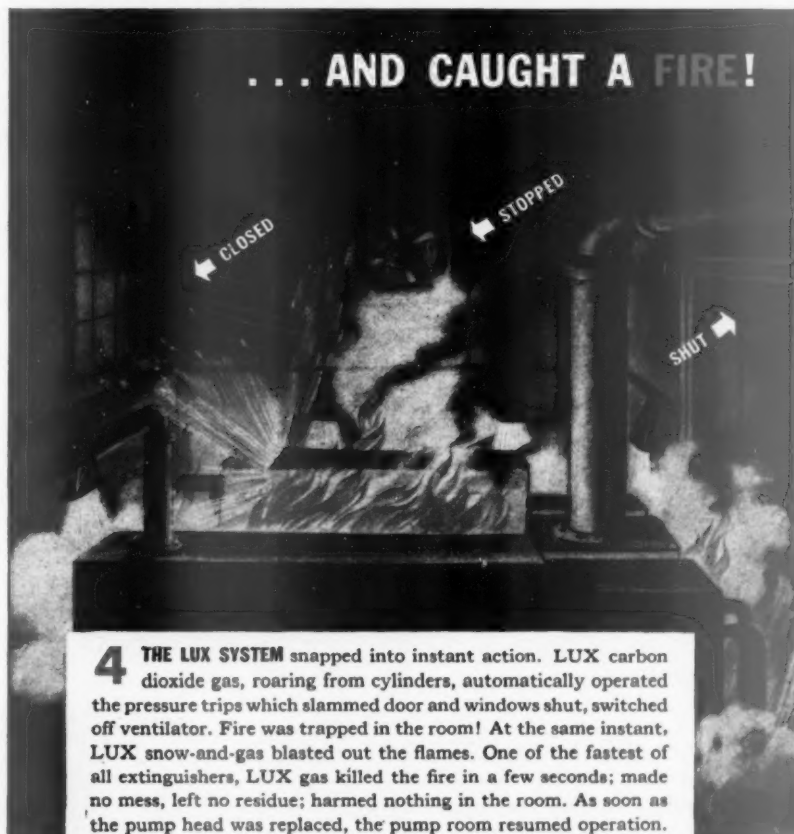


### 2 AN AUTOMATIC ALARM rang in the control room.



### 3 THE RELEASE valve of the LUX System was pulled.

## ... AND CAUGHT A FIRE!



**4 THE LUX SYSTEM** snapped into instant action. LUX carbon dioxide gas, roaring from cylinders, automatically operated the pressure trips which slammed door and windows shut, switched off ventilator. Fire was trapped in the room! At the same instant, LUX snow-and-gas blasted out the flames. One of the fastest of all extinguishers, LUX gas killed the fire in a few seconds; made no mess, left no residue; harmed nothing in the room. As soon as the pump head was replaced, the pump room resumed operation.

**HAVE** you flammable liquids or electrical equipment in your plant? Guard these fire hazards with the speedy, flame-killing power of LUX carbon dioxide—the gas that harms nothing but fire!

LUX portable extinguishers range

from a two-pound, pistol-type unit to wheeled types containing 100 pounds of carbon dioxide. Built-in types may be manually or automatically operated; may protect a single spot or an entire process room. Write us for complete information.

**Kidde** 

**Walter Kidde & Company**  
Incorporated  
524 West St., Bloomfield, N.J.

legal meanings. Leon Henderson openly told a press conference that "it was done with mirrors."

**Will price regulation work without rationing?**

Yes. But rationing, conversely, would be practically useless without price ceilings. Here's the way to look at it:

It's desirable to ration essentials when they're short. Sugar and gasoline are an example. Furthermore, the price has to be put under a ceiling so that the retailer can't say "Here is your pound of sugar. That'll cost you \$5."

But now take electric toasters. They're nice, but not essential. If you tried to ration them, there wouldn't be enough to go around, anyhow. So the government puts a ceiling on them to avoid disagreeable profiteering, and therewith the story is at an end. It figures that the sooner the public forgets about toasters for the duration, the better. This is war.

**Will a so-called black market spring up under price ceilings?**

Illegal prices, of course, will become a regrettable vice. The nation as a whole will have \$17,000,000,000 this year which cannot be converted into merchandise, because there isn't enough merchandise to sop up the money. So this money becomes "hot"—it burns the pockets of those who have it. And right there is a major inducement to

the breaking of ceilings, especially when any commodity shows the least sign of getting short.

Maybe this "hot" money won't ruin—or even do much damage to—the price program. But Leon Henderson will sleep much easier when that \$17,000,000,000 is taxed away, or stored up in savings.

**Won't some retailers seek to get out of the "squeeze" by selling adulterated goods or merchandise of inferior quality at ceiling prices?**

There'll be plenty of this.

**How will OPA stop it?**

By standardization and quality labels. "Victory" models have proved to be a definite discouragement to cheapening of quality in other nations. At first the consumer doesn't like their looks. But he knows what he's getting for his money; and if the other, comparable merchandise appears to be adulterated too much, or too high in price, he'll take the victory model as best bet. That provides the necessary check.

**How will OPA keep ill-directed consumer crusades from plaguing the merchants?**

By soft-pedaling the consumer right from the start. OPA feels that Canada made a big mistake (see page 41) when it allowed private policing of the price system. That method won't be attempted here unless all others fail.

**If private policing is frowned on, won't official policing turn the OPA into a veritable juggernaut of manpower and politics?**

It could. But no predictions along this line are worthy of extended space beyond the comment that OPA will be a huge government agency. Its final size depends on how much cooperation will be forthcoming between government and business men.

**Will OPA seek to educate the consumer so that false crusading won't be encouraged?**

Yes. A campaign is now being framed.

**Won't the whole program be akin to NRA? That is, won't business and government set up a huge, unwieldy machine open to charges of favoritism? Won't concessions ruin the general objective?**

This could happen. Predictions are impossible. But remember that Leon Henderson went through the last NRA, has no stomach for another. On the other hand, it is true that there will be much liaison work between government and business, many a committee.

**In order to iron out special difficulties quickly, will it be necessary to issue special price schedules?**

Yes. OPA has already issued special ceilings for bituminous coal, solid fuels, rolled zinc products, non-ferrous castings, fluorspar, paper, newsprint, camelback, waterproof footwear, farm equipment, construction and road equipment, fertilizer machines, ferro-manganese, "grey" and finished cotton goods, waste materials, zinc-lead-tin residues, antimony ore, instrumental jewel bearings, and certain machines and parts manufactured in the course of sub-contracting. More such special ceilings (applying at special levels and with special base dates) are due in the future.

**Why was a price ceiling attempted at all?**

(1) To allow those people with the least money to compete for merchandise with those who have the most money, (2) to keep down the cost of the war, (3) to prevent inflation and ruinous post-war inventory devaluation. A price ceiling which would have included wages and farm prices would have been superior to what is now on the books. But that was politically impossible.

This much, however, can be said for the present arrangement: It can be used as a threat—if not an actual weapon—against wage and farm increases. It is a start on a very difficult problem in which politics often out-voted economics. It works on paper. It will work in practical application if ill-starred consumer movements, politics, and get-rich-quick sellers don't scuttle it. It will work, in the last analysis, to the extent of this nation's general patriotism.

*Result of*  
**CONCENTRATED  
EFFORT**

For more than 20 years, all of the research, engineering and manufacturing facilities as well as the finances of the Quincy Compressor Co. have been concentrated exclusively on the designing and building of Air Compressors. This policy of specialization has helped to make the name "Quincy" a symbol for efficient and dependable air supply. Today 89 leading manufacturers equip their own products with Quincy Compressors. If you have compressed air problems in connection with your work, let Quincy help you solve them.



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One simple setting gives: free air delivery, r.p.m., piston displacement and h.p. motor required.

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## LIGHT FROM CANADA

It's no secret that Price Administrator Leon Henderson has had an official observer in Ottawa since early this year, and that Canada's Wartime Prices and Trade Board authorities have made frequent trips to Washington in the last few months to keep OPA officials informed of all that was happening to the price control experiment north of our border.

Knowing from the first of this behind-the-scenes collaboration between the two countries, Business Week set out last week to check with Dominion officials and business leaders to find out how successful the Canadian plan has been, where it has run into trouble, and what lessons it suggests to the retail, wholesale, and manufacturing executives in this country who are just plunging into the price control program.

Findings of this survey are included in the brief report beginning on this page.

## How Canada Did It

Dominion's five months of price control have shown what business faces here. But they also froze wages up north.

Canada was deliberately and willingly used as a guinea pig to try out Washington's present price control program.

That's the opinion of people who have studied the five-months' old Canadian system and who know how closely Washington has watched each month's operations and how closely it has now followed the overall pattern.

• **Pilot Job**—Both Ottawa and Washington wanted such a control program and Canada, having been in the war longer and being in a better position (with its smaller population) to try out a plan, made the test beginning last December, after announcing its intention in late October.

The Dominion put a ceiling over all prices—manufacturing, wholesale, and retail. The base period was the same for all three—Sept. 15 through Oct. 11. The highest price at which any business—manufacturing, wholesale, or retail—had sold any item in that period became its ceiling price. Thus, if one of the big department stores on Toronto's Yonge Street had sold a special brand of men's suits during the base period for \$50, while a small shop in Vancouver, offering its customers almost no special services, had offered exactly the same suit

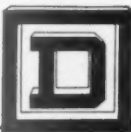


## They'll Change His Name from "Killer Pete" to "Gentle Jim"




He's vicious now. But, once he's been broken and trained, a child can put him through his paces.

Ever stop to think how vicious electricity could be—on the loose? Yet, under control, it is one of man's most amazing servants. It performs miracles at the mere push of a button or the turn of a switch.



**PRODUCTS**  
SAFETY SWITCHES • CIRCUIT BREAKERS  
MOTOR CONTROL • SWITCHBOARDS  
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MULTI-BREAKERS • WELDING CONTROL  
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Wherever electricity is used, you will find Square D equipment on the job—controlling or regulating it—making it safe. In homes, in commercial buildings, in four out of five of the nation's industrial plants, you'll find the familiar  emblem. And on duty in the air, Square D's Kollsman precision aircraft instruments.

Marvelous as it is, electricity will be an even bigger and better servant in the future. Square D engineers are working toward that goal—constantly.

*Square D engineering counsel available in 51 principal U. S. and Canadian cities*

# SQUARE D COMPANY

DETROIT - MILWAUKEE - LOS ANGELES  
KOLLSMAN INSTRUMENT DIVISION, ELMHURST, NEW YORK  
IN CANADA: SQUARE D COMPANY CANADA LIMITED, TORONTO, ONTARIO



at \$47.50, the two stores would continue to sell the identical suits at or under the different legal maximums.

Ottawa's theory is that there is no reason in the present anti-inflation program to try to change buying habits. People accustomed to paying a premium in order to shop in a particular store and shopkeepers charging a premium in order to maintain certain special services can continue to do so, at least for the present.

● **Example in Rigidity**—Ottawa also set an example for the rigidity with which all retail prices must be held at or below the ceiling levels. There were bitter complaints when the program was first announced that it was unfair to freeze retail prices at the same level as wholesale and manufacturing prices, because prices moved much more rapidly at these two earlier levels and replacements could be made by retailers only at much higher costs.

However, Canadian price control authorities were adamant in holding prices at the retail level because, as they pointed out, the object of the entire program was to hold the cost of living at present levels. But in order to allow the retailer a reasonable markup on his replacement goods, many wholesalers' and manufacturers' prices had to be adjusted downward. Canadians call this a "rollback." How they managed it will be discussed later.

● **Easy on Farmers**—Canada has no farm price parity program, but farmers are handled gingerly under the new price law. The Canadian ceilings do not apply to livestock, poultry, eggs, milk, cream, dairy butter, farm-made cheese, honey, or maple syrup when they are sold by the farmer to dealers, processors, or manufacturers—which covers the bulk of the business. But when the products are sold by the farmer directly to the consumer, prices are not allowed to rise above the maximum retail prices established during the base period for the same product in the same area. This was done to give farmers the benefit of any trading situation which might arise without increasing prices to ultimate consumers. It also aims to permit supplies to flow freely from farmer to processor.

Significantly, also, Canada from the first exempted from price control all sales of fresh fruit and fish, where it was thought impossible to police the market, and of furs and books.

● **Registration Revised**—The Dominion set up a scheme to license stores just as Washington has done in its new law. After one first flurry of trying to register all shops before they were licensed, Ottawa realized the impossibility of handling a job of this size in a short time and by March ordered blanket licenses to be issued. But registration is continuing now and, before long, the government will have a complete inven-

tory of all of its retail establishments and of all kinds of merchandise that they sell. Officials estimate that this list will include 190,000 units when completed, compared with 1,700,000 in the United States.

● **Canada Froze Wages**—There were two important provisions in the Canadian law which are not incorporated into the Washington price control plan. Canada has frozen wages, as well as prices. Ottawa made its first move in this direction last summer when wages in all war industries were ordered frozen at existing levels but provided for a cost-of-living bonus system which granted a 25¢-a-week bonus payment for every increase of 1% in the official Canadian cost-of-living index above the August, 1939, level (BW-Jul.19'41, p14). Later, when the government announced the nationwide price control program, the wage freeze was extended to all industry.

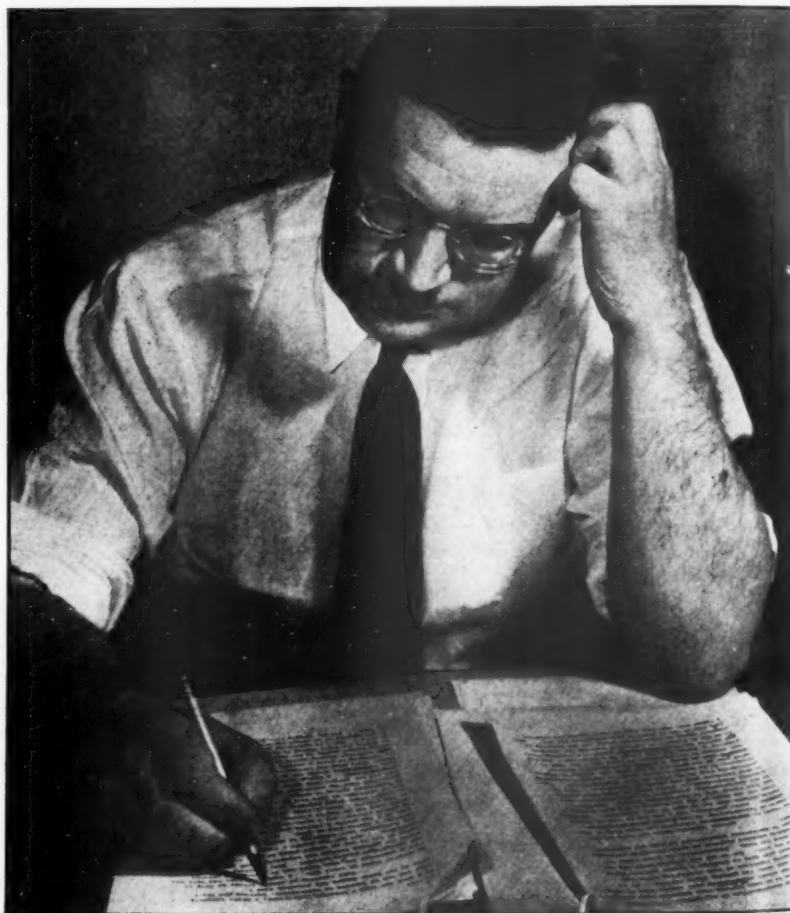
It is in large part because of this wage bonus plan tied to the cost of living that Price Administrator Donald Gordon has been so insistent on keeping retail prices at or below the ceiling level and forcing whatever adjustments were necessary in the form of a rollback below the retail level.

● **Subsidies Important**—The second

major difference in the two systems is that Canada provided from the first for a subsidy to help keep prices down. This subsidy plan works in two directions. Wherever import prices rose above the domestic ceiling (and Canada is considerably more dependent on imports of a wide variety of goods than is the United States), the government agreed to pay a subsidy on the imported item—whether its was a primary or a finished product—provided it met the government's definition of an "essential" product.

And in order to help the manufacturer and wholesaler absorb the rollback in a few cases where a price cut adequate to meet the retail ceiling obviously would cause hardship, and in the case of certain seasonal goods where there are wide variations in output and demand, the government agreed to provide financial relief in the form of a subsidy.

● **What It Has Cost**—In his report to Parliament late in April, Finance Minister Ilsley revealed that the total of the subsidies paid up to that time had amounted to only a little more than \$2,000,000, and that out of this total, more than \$1,500,000 was spent to subsidize domestic milk producers. This public discussion of the subsidy situation was obviously timed to meet the criticism of it which had been raised in



Donald Gordon has the job of Price Administrator for Canada.

**"It won't need eyes with this bomb-sight! . . .**

*. . . Listen, buddy, at 20,000 feet I can drop that 'egg' on a dime. And, believe me, my hat's off to the men back home who make these bomb-sights."*



## Where 6/1,000,000 of an inch means a Hit!

IMAGINE, for a moment, that you are in an American bomber—attacking an enemy objective.

You're flying high—20,000 feet. You're flying fast—300 miles an hour. You're turning, twisting, dodging to escape withering enemy fire. But your bombs go hurtling down to blast a tiny moving target miles below—thanks to a bomb-sight of unmatched accuracy.

This bomb-sight owes much of its precision to air conditioning—the same Carrier Air Conditioning that has speeded production in more than 200 industries—for 40 years.

For example, the exacting control of humidity keeps tools and metal parts from rusting—protects costly

materials from harmful moisture. The removal of dust and grit from the air prevents damage to delicate surfaces. And the temperature—kept uniform day in and day out—guards against expansion and contraction of optical glass—actually permits grinding and polishing to the almost inconceivable tolerance of 6/1,000,000 of an inch!

**Aloft, Afloat, Ashore—  
this is an AIR CONDITIONED War**

Carrier Air Conditioning has its "sleeves rolled up" in scores of industries devoted to winning the war. In aircraft plants, making finer engines; in munitions plants, guarding powder and fuses; in blast furnaces, increasing production. In the field of

synthetic rubber, plastics and fabrics, Carrier is literally making many new products possible.

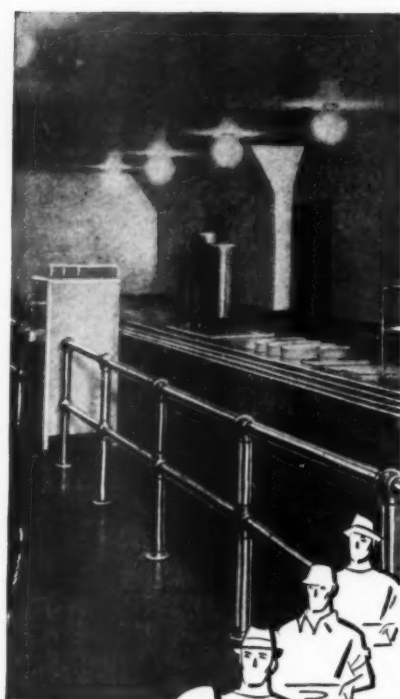
After the war is won, Carrier Air Conditioning will continue to help industries make better products — products for peace.



*The Navy "E", one of the U. S. Navy's most coveted honors, was awarded to Carrier Corporation for excellence in war production.*



*Carrier Corporation, Syracuse, New York*  
**WEATHERMAKERS TO THE WORLD**



## PLANT FEEDING SPEEDS PLANT PRODUCTION!

The lunch-time bottleneck is less of a problem in plants that have an employee cafeteria. Here lunch shifts can be staggered to fit production schedules. Short lunch periods still leave time for welcome relaxation. And less gate supervision is needed where men stay in the plant until the day is over.

Look into plants where minutes count—and you'll find cafeterias designed and built by Pick. Wide experience with mass feeding under today's stepped-up conditions is the reason why Pick has been chosen so often for equipment to feed those who work. Whatever your needs, whatever the size of your budget, a Pick engineer can help you, without obligation. Send for our illustrated 56-page book.

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## FEEDING EQUIPMENT FOR WAR INDUSTRIES



\* Sorry, we cannot list addresses... but here are the names of a few of our recent installations:

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Bendix Products Aircraft Div.  
Northern Pump Company

the Dominion and also to emphasize the importance of the establishment of a price control program south of the border. While the amount paid out on import subsidies was insignificant during the period covered, insiders know that it could mount rapidly if the United States did not freeze prices on many items involved in cross-border trade.

Instead of depending heavily on a large group of paid inspectors to police the program, as Washington feels it necessary to do because of the size of this country, the Canadian Wartime Prices and Trade Board decided from the first to depend on the cooperation of the people of Canada, under the leadership of the women, who do most of the retail buying.

• **Consumer Police**—A Consumer Branch of the price control authority was set up as soon as the plan was announced and this branch started at once to organize the women of the Dominion into regional groups and trains them to watch enforcement and report grievances through local agencies.

Nucleus for this vast consumer organization of 3,000,000 women were 30 of the Dominion's leading clubs, with a total membership of 1,500,000. Beyond this the Consumer Branch worked through churches, women members of the labor unions, and wives of labor-union secretaries in each community.

• **Up to the Women**—Instead of depending on a list of ceiling prices posted in each store by the individual merchant, the Canadians put it up to the women to check back in their household bills, through old newspaper advertisements, or through their own account books to see exactly what the base prices were during the base period Sept. 15-Oct. 11, 1941.

To stimulate this plan, the Consumer Branch issued small booklets called "My Price Ceiling Record" (see page 46), in which every housewife was urged to record the ceiling prices not only of food and clothing but of all of the services which come under the price control law.

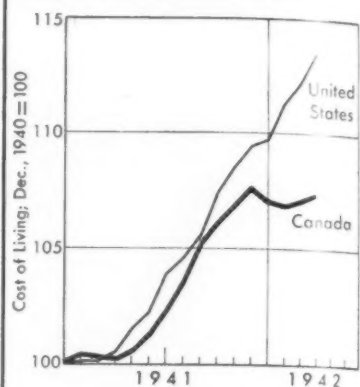
Early in April the Consumer Branch began issuing a publication called "Consumers' News," intended to keep housewives informed of current orders of the Wartime Prices and Trade Board as they affect the consumer. So far, only two issues of the 4-page bulletin have been published but larger and more frequent issues are scheduled, with circulation ultimately to include all housewives.

• **Adjustment Methods**—The Dominion uses ten methods to handle price adjustments under the price control law.

It divides the "squeeze" among manufacturer, wholesaler, and retailer. The most striking example of this plan is found in the furniture industry where the three groups got together and agreed to absorb among themselves a rollback ranging from 2% to 6%, depending on the type of item involved.

## PRICE FREEZE AT WORK

Canada froze prices in December, halted the cost-of-living uptrend



Data: U. S. Bureau of Labor Statistics,  
Dominion Bureau of Statistics

© BUSINESS WEEK

Between 20 and 30 cases of voluntary adjustment without subsidy are on record in the Dominion, most of them in lines where the markup is high.

Wherever new lines are introduced, prices are expected to be set (in co-operation with the administrator for that industry) at levels agreed to be in line with the nearest comparable merchandise during the base period.

• **The Seasonal Problem**—When seasonal goods that were not generally for sale during the base period came on the market (in the case of Canada the problem came in spring lines while in the case of the United States it will be in the fall lines), they are expected to be priced at last year's level plus an allowance for the general price increase in these lines from a year ago. In most Canadian cases, this increase has ranged from 5% to 16%.

In the handful of cases where a retailer has been caught with especially heavy stocks of a product bought at low prices, he is generally being allowed to raise his retail price to meet the average of retail prices in his community for that product.

• **When Substitutes Come In**—Where it has become necessary to use substitute materials in a product because of the wartime priorities on strategic materials, a price adjustment is allowed by the administrator in that line to cover any increased cost. But each case of this sort is examined individually.

"Essential" imports are entitled to a government subsidy wherever the import price has risen above the Canadian ceiling price. But the definition of an "essential" import is already much less liberal than when the price control program was introduced.

Some relief has been secured in special cases by appealing to a foreign supplier to reduce his price to meet the Canadian price ceiling.

In other cases, Canada has come to



the rescue of the importer by removing import duties and special taxes in order to hold the price of the imported article below the ceiling.

• **Domestic Subsidies**—Domestic subsidies are paid to producers where it has been found impossible to reduce production costs sufficiently to maintain the retail ceiling and still provide a reasonable markup all along the line. Domestic subsidies have, so far, been paid on shoes, a list of about 40 packaged grocery items, milk, seasonal canned goods, and cutting out all "frills."

In the case of shoes, where costs had advanced 15%, retailers agreed to absorb 4% of the increase, wholesalers another 4%, and the government absorbed the remaining 7% by paying a subsidy to manufacturers. But even here, the subsidy may not be permanent, for manufacturers are expected to reduce their costs by making fewer styles and cutting out all "frills."

In the case of the canners, the government is guaranteeing a minimum price on the 1942 pack in order to encourage the greatest possible production to satisfy unusual wartime demands.

• **A Profit Catch**—In the case of packaged grocery goods, the government will pay a subsidy where necessary to avoid hardship to the manufacturer but, where the subsidy is paid, all company profits above the standard level are subject to tax confiscation. Because of this limitation, most large companies have refused to appeal for the subsidy, preferring, instead, to average off a loss on profitable items.

Finally, as previously stated, certain exceptions are made in the ceilings, with the exempted goods including fresh fruits, vegetables, and certain cuts of meat.


• **Two Innovations**—Beyond these methods, which have been in use during most of the time since the price law went into effect five months ago, Canada now is trying two new ones:

Economies are being demanded all up and down the line. Retail shops are forbidden to deliver purchases of less than \$1. Two Toronto newspapers—the Telegram and the Daily Star—have pooled their delivery services and estimate that they are saving 4,000 to 5,000 tire-miles a day. Distributors of all kinds are cutting out non-paying delivery routes because they anticipate that they will soon be ordered to do this by the price control. West Coast tobacco jobbers have "frozen" their accounts; that is, they have agreed not to compete for each other's present accounts. But they have called no halt on the competition for any new business which may develop.

In February, Canada set up a Simplification Division in the Wartime Prices and Trade Board to study methods of reducing costs by cutting down

# Are You Overlooking me easy-to



**Conserve time, space and material with the aid of these FREE  booklets.**

"How to Seal," and "How to Stack and Load," are two of H & D's Little Packaging Library booklets, prepared to help manufacturers plan more effective, more economical packaging. They show you how sealing, storing and stacking of corrugated shipping boxes can be made more efficient, how time in the shipping department can be made more productive, how sealing materials can be "stretched," how space can be more completely utilized.

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Like the counsel of H & D Package Engineers, these Little Packaging Library booklets are yours without obligation. Write for the copies you need. Be sure each man in your shipping and traffic departments has an opportunity to study the information they contain. It will help you save money today and tomorrow.

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the number of models of any given product, helping to find substitutes for short materials, simplifying various items, and seeking to reduce such distribution expenses as cross-hauling. Most of the work already done is in the clothing, bakery, paper, and tinplate lines, but orders covering a vast number of fields are expected to be handed down during the next few months.

Like Britain (BW—Feb. 28 '42, p. 34), Canada is moving into this field cautiously, but as the need for economy intensifies, more drastic rulings are expected.

● **Honeymoon Ending**—Looking back over five months of price control regulation, Canadian business leaders admit that their problem has been greatly eased by the fact that most of them

started the trial with large inventories, and practically all of them have been enjoying much larger business than a year ago. Retail trade generally is 20% above last year's levels in the Dominion.

But those who have looked ahead searchingly realize that they have hardly had a taste yet of what will happen very soon now as they dispose of their last electric refrigerators, or radios, or any of the other items which can no longer be manufactured or which can be made only in limited quantities.

And all of them who have observed the experience of their colleagues in Britain, where rationing has accompanied or followed price controls, realize that the real test will come when they try to cover fixed overhead on a dwindling turnover and under a price ceiling.

## Coulee Rubber?

Big synthetic industry for Pacific Northwest is proposed by Bonneville Administration. New generators added.

The Bonneville-Grand Coulee Power Administration, fortified this week with assurances of additional generative capacity, is preparing to lead a strong campaign for establishment of a large synthetic rubber industry in the Pacific Northwest.

● **Two New Generators**—The additional generative capacity was clinched with announcement by the Bureau of Reclamation that two 75,000-kw. generators, now delivered and in storage for Shasta Dam (major unit of the Central Valley development) will be diverted to Grand Coulee. This means that Coulee capacity will be lifted to about 494,000 kw. before the end of the year.

Opening gun in the synthetic rubber drive, which will have the support of various groups in the Northwest, will be the filing of an exhaustive report completed last month by Bonneville engineers. This report will include specific recommendations on processes, raw materials, production quotas, plant locations, and investment requirements.

● **Power Argument**—Basic argument is that electric power is a key factor in the production of any synthetic rubber derived from acetylene, and that calcium carbide, from which acetylene is produced, is a Pacific Northwest product made with Columbia River power.

The report, made by William C. McDoe and J. P. Strong, Jr., emphasizes the possibility of making Buna S rubber with materials already available or which can be produced in the region. It points out also that materials are available for making Neoprene type of rubber and that both of these types are suited for manufacture of automobile tires as well as other critically needed rubber products.

● **Pulp Mill Waste**—Butadiene, which, when combined with styrene, makes Buna S type of synthetic rubber, can be produced from acetylene or from alcohol by processes already developed and in operation in other countries, the Bonneville engineers point out. (Most U.S. butadiene is a petroleum product.) They add that pulp mills of the Columbia River region are discarding large quantities of waste sulphite liquor that can be treated to recover about 50,000 tons of alcohol, and they say their investigations indicate that pulp mill operators would welcome an opportunity to dispose of the waste profitably.

On the basis of the alcohol potentially available in the Pacific Northwest from waste sulphite liquor and from

SAMPLE PAGES ONLY				STUDY EACH ITEM, PLEASE			
ARTICLE BOUGHT	SIZE	BRAND	QUALITY, ETC.	DATE BOUGHT	BASIC OR LAST PRICE PAID	NAME OF STORE WHERE PURCHASED	IF INCREASE IN PRICE DATE PRICE
Aspirin	100 Btle	J & J		Mar. 10	\$ .95	Reid's Drug	
Blankets—Pr.	Large	White Star	Woolen 8-lb. Blue	Apr. 2	13.95	Johnson's	
Coal		Red Devil	Drumheller	Mar. 30	16.73	Carlton Coal	
Dress—for Joan	Silk (two-piece)		pleated skirt	June 4	12.00	Peggy's	
Dry cleaning		Dad's	winter overcoat	April 1	2.00	Anderson's	
Electricity			Stove	Mar.-Apr.	.04 per Kilowatt	Municipal	
Laundry			Bedroom curtains—muslin		.75 Pr.	Snowwhite	
Screwdriver			Double End—Bull Dog—all steel		2.85	Smith's Hardware	
Rent			611 Lipton Street		50.00	Imperial Trust	
Hairdressing			Shampoo and F. Wave—and a special rinse		1.25	K's Beauty Salon	
Bus Fare			Kingston to Perth return		4.00	Red Line Bus Co.	
Telephone			Wall type—quarterly rate		6.00	O. & E. Co.	

Follow this Plan for Keeping a Check on the Prices you Pay for all your Purchases, such as Food, Clothing, etc.

A little blue, paperbound notebook—"My Price Ceiling Record"—is today as much a part of the average Canadian woman's shopping equipment as her purse. Distributed free by Canada's Wartime Price and Trade Board, the blank books contain sample en-

tries (above) for consumers' guidance as well as instructions (below) which begin with "We do not want you to be a policewoman," and end with cautioning shoppers to take up apparent violations with the storekeeper "in a NICE WAY" before reporting them.

### THINGS TO REMEMBER:

We do not want you to be a police-woman. Your storekeeper is just as anxious as you are to keep the Board's regulations. He is in business to serve your needs. . . . Co-operate with him. Your job is to observe, and if for any reason the Board's policies are not maintained—get in touch with your Women's Regional Advisory Committee. They will make a check-up if such a thing is necessary.

The price ceiling for any article in any store is the highest at which that store SOLD the item to any customer during the basic period. As a result, ceiling prices may differ in different stores.

If you have not a record of what you paid for items between September 15 and October 11—Don't be alarmed. . . . PUT DOWN THE PRICE YOU ARE PAYING NOW.

Remember the Wartime Prices and Trade Board is made up of business men from all lines of business throughout the Dominion—the best men available. The rules made are the best for everyone—not just best for your locality—but best from the standpoint of the entire Dominion.

You are performing a very necessary and important duty by assisting the Government to see price ceilings are kept. With wages frozen you cannot afford to have them rise.

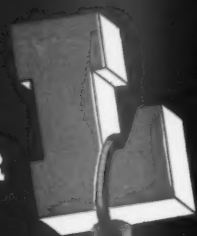
### HOW TO USE YOUR BOOK

- (1) Refer to sample pages and study EACH line carefully.
- (2) Never go shopping without your book.
- (3) Do not enter BARGAIN or SPECIAL SALE PRICES.
- (4) First try to enter the highest price you paid in the "basic period" (September 15 to October 11)—and FAILING THAT, the FIRST time you buy any article covered by the price ceiling, enter it under its alphabetical index—as per examples shown in the book. The NEXT TIME you buy any article entered in your book, if you are not sure what you paid the last time, look it up.
- (5) How to use the last column: If you paid 10c. for a tin of Jones' Tomato Soup at a certain store yesterday, and later you bought the same tin can of Jones' Tomato Soup at the same store, and there is an increase in price—Write the date, and the increased price on this column. Now mention the matter in a NICE WAY to the storekeeper. . . . it may be that the 10 cents was NOT ACTUALLY THE HIGHEST PRICE PAID IN THAT STORE, IN THE BASIC PERIOD. When you have made a check and found the highest price paid, change your book accordingly. If you are asked to pay a price that is above the basic period price—write your Women's Regional Advisory Committee—(address on opposite page.)
- (6) There are exemptions . . . try to remember this.

*"lower away!"*

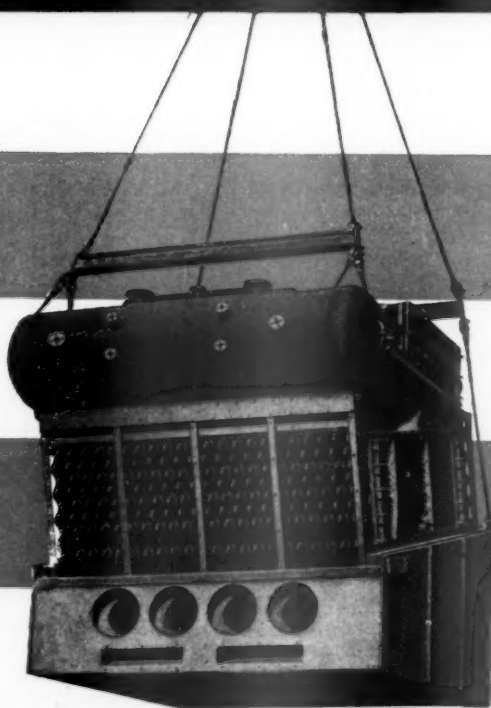


ANOTHER



**LIBERTY SHIP..**

**TAKES ABOARD HER  
COMBUSTION  
BOILERS**



This page symbolizes the most important assignment Combustion Engineering has ever undertaken—the delivery on schedule of the boilers for hundreds of Liberty Ships.

It's a far cry from compact Liberty Ship boilers—now being built by newly-developed, multiple production methods—to Combustion Engineering's normal production of "tailor-made" steam generating units. But like many war-time problems, the solution in this case will bring peace-time benefits—faster, more economical and more highly standardized building of boiler units for the whole range of steam needs on land and sea.

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**WOLMANIZED LUMBER\*** adds long life to the other advantages of wood construction; that's the verdict of cold storage and ice plant operators after observing its fine performance for the past fourteen years. They've used hundreds of thousands of feet of Wolmanized Lumber for cold-room floors, framing and linings.

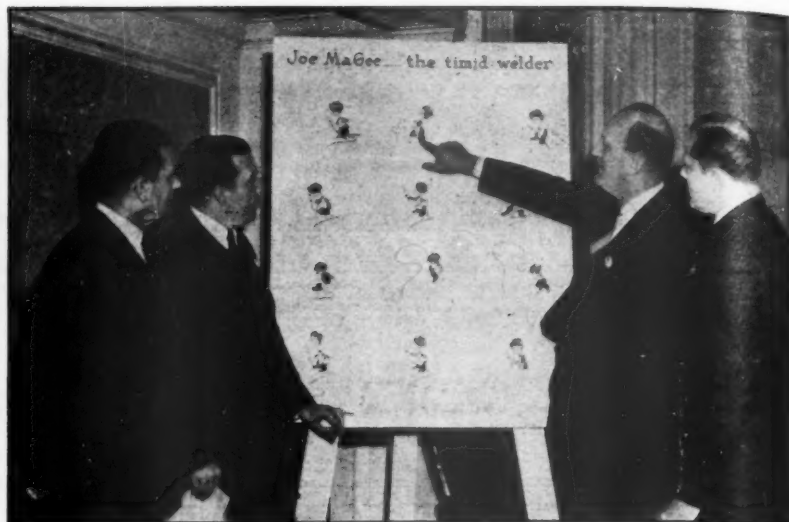
**WOOD CONSTRUCTION** puts cold storage within reach of many fruit and vegetable growers, by cutting the initial cost of these plants. Wolmanized Lumber assures low upkeep costs, because this wood is able to withstand the high humidities encountered. Its insulating properties give added operating economies.

**WOLMANIZED LUMBER** is ordinary lumber which has been made resistant to decay and termite attack by vacuum-pressure impregnation with Wolman Salts\* preservative. It adds little to the first cost of a structure—is light, strong, resilient. It goes up quickly and easily and is clean, odorless and paintable.

**HAVE YOU A PROBLEM** which might be solved with Wolmanized Lumber? We'll gladly send you additional data on its use. Write American Lumber & Treating Company, 1656 McCormick Building, Chicago, Illinois.

\*Registered Trade Mark

**WOLMANIZED  
LUMBER**



## THE TIMID WELDER

To speed the training of thousands of new welders needed for war production, General Electric is producing a cartoon-type movie which features Joe McGee, the timid welder who does practically everything a good welder

shouldn't. Inspecting the original transparencies of some of the cartoon sequences are J. E. N. Hume, commercial vice-president, R. S. Peare, of the G. E. publicity department, Raphael G. Wolff, who produced the film, and C. I. MacGuffie, manager of welding sales.

fermentation of available food wastes, a plant installation of about 40,000 tons of Buna S rubber annually is recommended.

• **Styrene Supply**—About one ton of styrene is needed for every three tons of butadiene, and necessary styrene tonnage could be supplied (the report indicates) by diverting available benzene and potentially available ethylene to the production of this essential material.

Even more than 40,000 tons of Buna S rubber could be made, according to Bonneville technicians, by bringing in additional benzene from outside sources and using acetylene for making additional butadiene.

Described as the most promising proposal is the possibility of making the Neoprene type of synthetic rubber, which is produced from acetylene and hydrochloric acid. The report states that the amount of acetylene that could be produced in the Pacific Northwest is limited only by the amount of power available for making calcium carbide, an electric furnace product requiring lime and coke and using approximately 3,000 kw. hr. of power for every ton of product.

• **Carbide Capacity**—Two carbide plants, the first to be established on the West Coast, are already in operation in Portland and added carbide capacity can be built (the Bonneville engineers say) in Oregon or Washington, where "inexhaustible deposits of limestone are located." Chlorine, which is needed for hydrochloric acid manufacture, is also

a heavy power user because it is made by electrolysis of a salt solution. The report recommends that the salt be obtained in Utah.

The amount of Neoprene rubber that Bonneville engineers believe can be produced in the area is not stated, but the report indicates that a substantial tonnage could be made in addition to the 40,000 tons of Buna S proposed.

## Whisky Drafted

As urged by distillers in first place, WPB decides to use "high wines" as source of alcohol for munitions manufacture.

Turned down every time it tried to enlist, the whisky industry was drafted into the war program last week by the War Production Board. Under Amendment One to General Preference Order M-69, the WPB took control of all production of "high wines"—which aren't wines at all, just raw whisky, which is low proof alcohol.

Present plans require that the whisky distillers produce 75 days for the government during the balance of the year, the resulting high wines to be shipped to industrial alcohol plants, there to be rectified into standard 190 proof alcohol, for use in the manufacture of smokeless powder and other Army, Navy, and lend-lease purposes. Any sur-

WE'RE EXPANDING IN THE

*Gulf South*



## ... it's Geared for War Production

• Important industries serving the increased, vital needs of war are moving to the Gulf South, which has become one of the great war production centers of our nation. These war industries are building plants, expanding facilities, speeding up their machines to help equip the greatest armed forces this world has ever seen.

Besides the availability of widely diversified raw materials and the many natural resources, patriotic and loyal Gulf South citizens are ready to

help speed up production and bring world peace.

Other Gulf South advantages are quick, convenient transportation by land, sea and air—good schools—plentiful land—ideal living and working conditions in a pleasant year-round climate.

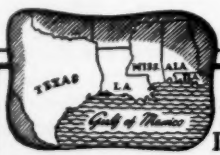
Let us give you more information on the Gulf South in relation to the requirements of war production and peacetime markets. Without obligation we will be glad to make a survey for you. Your inquiry will be kept strictly confidential.

For information on GULF SOUTH opportunities write to  
DIRECTOR OF INDUSTRIAL DEVELOPMENT

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... industrial opportunities galore ... rapidly growing markets ... plentiful land ... ideal living and working conditions in a mild year-round climate ... good schools ... quick, convenient transportation ... abundant, dependable Natural Gas.

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Business Week • May 9, 1942

plus may be diverted to regular industrial uses of alcohol.

• **A Matter of History**—More than a year ago, whisky distillers began offering their facilities for the production of grain alcohol as a substitute for sugar-consuming molasses alcohol. Concentrated in Kentucky near the grain belt and close to the new smokeless powder plants, tremendous consumers of alcohol, the whisky people felt they were right not only from the standpoint of raw material but also geographically. With five years' supply of whisky aging in warehouses for its regular clientele, the whisky industry could afford the sacrifice. But all last year Washington defense agencies snubbed the distillers, dismissing their pleas as bids for public favor.

Meanwhile, the industrial alcohol industry consumed a record-breaking tonnage of sugar. Critics of the official alcohol program blamed the state of affairs on the personnel of the alcohol section of the WPB (then the Office of Production Management), largely recruited from the industrial alcohol industry.

• **Sugar Shortage**—It was not until the sugar shortage was discovered in January that the WPB seriously considered the potentiality of the whisky industry for the production of alcohol, and then it only skimmed off the cream. By the original Order M-69, the WPB took over the whisky industry's full production of straight 190 proof alcohol, customarily used for gin and blended whisky.

Left untouched, as the whisky people—and especially the blended whisky people—were quick to point out, was the industry's capacity for high wines were also drawn upon, it would not be necessary to divert some 1,200,000 tons of sugar to alcohol, according to the whisky industry's argument, and thus rationing would be unnecessary. Congress began to take an interest in WPB's alcohol program, and for its part WPB began to take an interest in grain alcohol.

• **WPB Converted**—By last week, WPB was fully converted to grain alcohol. Chiefly responsible for the conversion was a whisky man—Matthew J. MacNamara, vice-president of National Distillers Products Corp., a straight whisky house little affected by the commandeering of the whisky industry's high proof alcohol capacity but due to be hard hit by MacNamara's "high wines" program. Brought into the alcohol picture by Donald Nelson himself, MacNamara is getting a dollar a year as a special assistant to A. I. Henderson, the deputy director of the Materials Division, under whom falls the much-criticized Alcohol Section of the WPB.

MacNamara has been quietly mobilizing the whisky industry for its war job. Since the middle of February, WPB's



### PATRIOTIC PATCHES?

Today, one of the minor storm centers in the garment industry is the nifty-thrifty patchwork style. Several manufacturers fear that the national trend toward conservation might possibly elevate patched clothing to a wartime symbol of thrift. Majority opinion, however, is that patch styles will be crowding the bargain basements in due time.

requirements for sugar for alcohol have fallen steadily from a high of 1,200,000 tons this year to nothing beyond what was already "inverted" for alcohol production, much to the discomfiture of the Cubans who stood to realize more from invert molasses than they did from sugar.

• **Anticlimax**—Last week's order of the WPB was an anticlimax for the whisky industry.

When the President finally signed the Doughton bill on Mar. 28, making possible the shipment of high wines to industrial alcohol plants, MacNamara lined up two dozen whisky distilleries to ship to the United States Industrial Alcohol Co. plant at Yonkers and the Commercial Solvents Corp. plant at Terre Haute.

On April 28, when the WPB order was issued, the whisky industry had virtually completed its first stint and MacNamara had scheduled four additional high-wine production projects, and was far enough along in his planning to be able to tell the distillers what was expected of them during the balance of the year.

## Standstill on Rent

OPA's order prevents any boost in 259 areas and seeks actual reductions in 64 others. Owners ask for changes.

Second most important item in the average wage earner's budget—accounting for almost one-fifth of family income—is rent. No brake on the high cost of living can be effective if this major factor remains uncontrolled. And so it didn't surprise anyone very much when the Office of Price Administration attached to its blanket price-control program (BW—May 2 '42, p14) an order establishing rent ceilings in 323 "defense rental areas" containing nearly two-thirds of the nation's population.

• **For Most It's Freezing**—For 259 of the areas the rent-freezing date is Mar. 1, 1942, and, since reductions in the majority of cases will be unnecessary, this section aims to prevent further increase in living costs, rather than to reduce current levels.

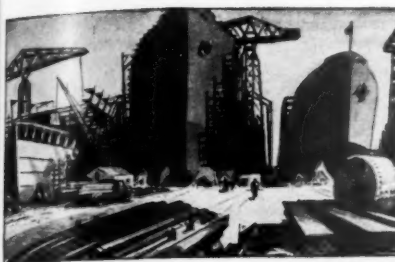
For the other 64 areas the effective dates are in 1941 (12 as of Jan. 1, 43 as of Apr. 1, and 9 as of July 1). In every case these are sections in which new apartment industries or new Army camps have meant a tremendous influx of population. In no one of these regions are habitable vacancies above 2.8%, and in some the rate is less than 1%. In every one of these areas rents, following the law of supply and demand, have skyrocketed.

• **Cutting Them Back**—"Thousands of tenants who could not pay these increases," avers OPA Chief Leon Henderson, "have been forced out of homes without knowing where to find shelter. These conditions have slowed the recruitment of war labor." This section of the order, then, is distinctly designed to erase these "substantial and unjustified" increases.

Rents are not automatically fixed by the order. The Emergency Price Control Act, which provides the authority for rent stabilization, requires that landlords and state and local officials be given 60 days to comply with the recommendations before the Federal Government can take official action. In 20 of the 64 higher cost areas, however, preliminary recommendations were issued on Mar. 2, and the OPA has already begun investigation in these regions to determine whether the terms have been met.

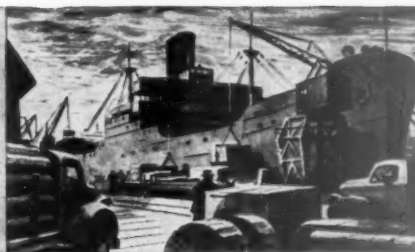
• **Some Objections**—Henderson's expressed hope that landlords would cooperate with the government to insure the success of the program is not meeting whole-hearted support. The convention of the National Association of Real Estate Boards first suggested an amend-





Carelessness—in conversation  
or in action—slows up war  
work here...

← and delays shipment  
of vital supplies here. →



# It's time to clamp down on loose talk!



"MY BOY FRIEND KNOWS  
A MAN WHO SAYS..."



"THEY TELL ME IT'S  
SIMPLY TERRIBLE..."

"I GOT THIS FROM A  
GUY WHO KNOWS..."



## This Actual Case shows how Rumors delay Vital Work

From a dozen widely separated sources, we heard rumors about a certain plant (insured in the Hartford) which is doing vital war work. The story was: many workers were being killed—the number of injuries was frightful.

**The facts were: not one worker had been killed.** There had been some injuries—but no more than usual in this type of work. But baseless rumors—spreading like wildfire—were making it hard to hire needed men, were lowering morale, were slowing up production.

A saboteur, or just a careless remark, can start such a rumor—but it takes a lot of careless talkers to spread it! Careless conversation is as dangerous as carelessness on the job, at home or in driving our cars. Every accident, every fire causes loss of time, materials or manpower we can't afford to lose!

**Join the Crusade against Carelessness.** Be careful in everything you say and do. Impress on others the vital need for care. That's one way you can help speed Production for Victory.

*Keep 'em Flying!*

**Get expert advice.** A Hartford Agent, or your insurance broker, can obtain advice to help you prevent accidents and fires. He can also build a sound insurance program

to protect you or your business against serious financial loss. Ask Western Union or Canadian National Telegraphs for the name of the nearest Hartford Agent.



"DON'T PASS THIS  
ALONG, BUT..."

"HE SAID HE KNEW  
FOR A FACT THAT..."



# HARTFORD INSURANCE

Hartford Fire Insurance Company • Hartford Accident and Indemnity Company

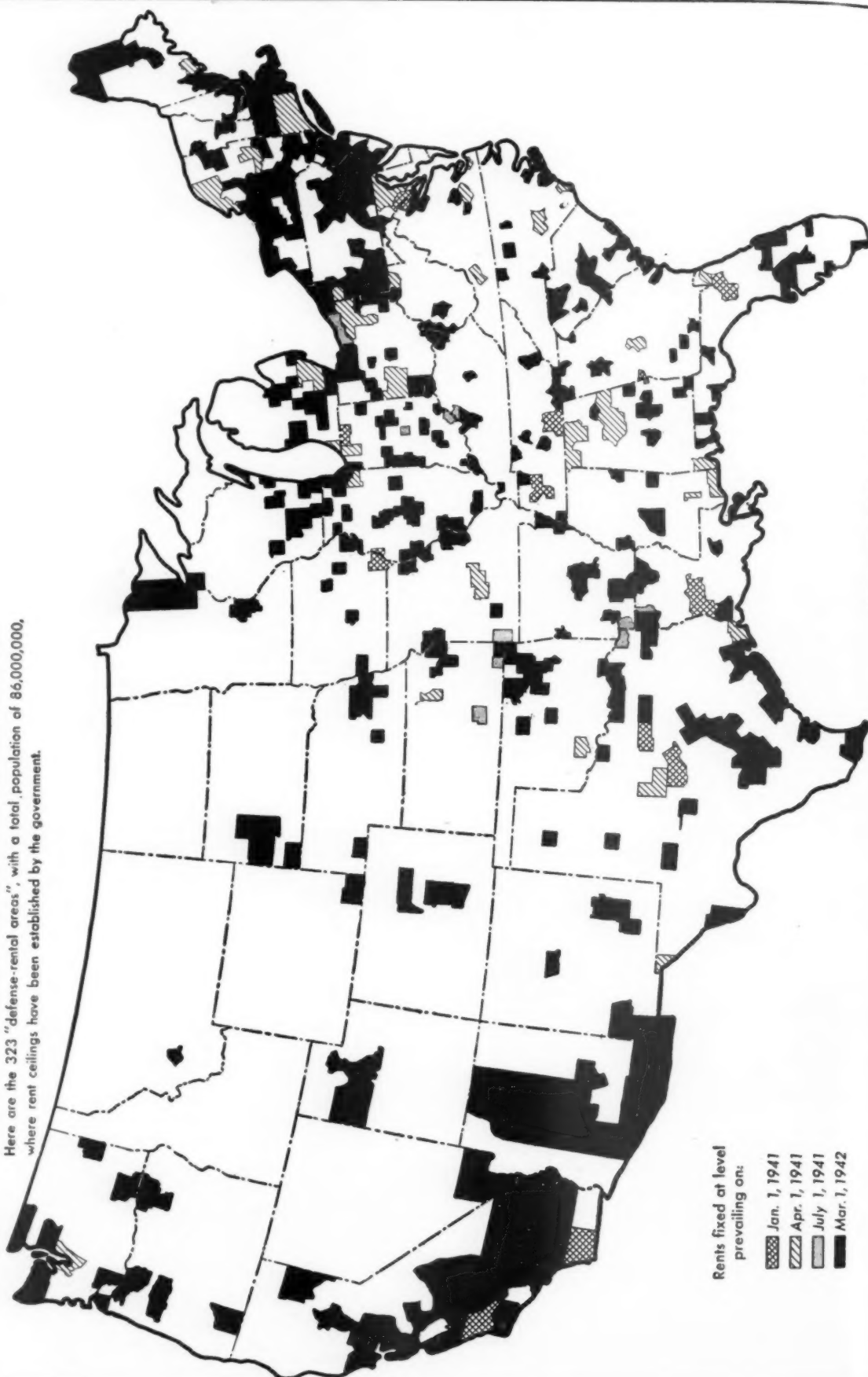
THE TWO HARTFORDS WRITE PRACTICALLY EVERY FORM OF INSURANCE EXCEPT LIFE



HARTFORD, CONNECTICUT

## WHERE RENTS HAVE BEEN FIXED

Here are the 323 "defense-rental areas", with a total population of 86,000,000, where rent ceilings have been established by the government.



Rents fixed at level  
prevailing on:

- Jan. 1, 1941
- Apr. 1, 1941
- July 1, 1941
- Mar. 1, 1942

Puerto Rico rents fixed at Mar. 1, 1942 level.

© BUSINESS WEEK

## Electronics—a new science for a new world

Out beyond the reaches of a man's sight is a vast world, dwelling-place of a hundred million universes. Infinitely small is another world, the realm of the electron.

By harnessing the energy of this infinitesimal particle of matter, science is extending to undreamed limits the power of the human brain and senses!

You and your children, heirs of the coming Electronic Era, will be able to see what eyes have never seen, hear what ears have never heard, accomplish what you never before could accomplish!

By electronics the botanist now can hear a blade of grass growing. Ship can

"see" ship through densest fog. The surgeon can examine the submicroscopic structure of the body tissue. The astronomer can count the stars a million light-years away.

The scientist photographs the invisible molecule; the fireman "smells" smoke in a home far across the city; the steel worker detects flaws in battleship armament; the miner separates slate from coal; the manufacturer matches lipstick color!

There is simply no limit to the possibilities of this fascinating new science in the fields of industry, television and radio, medicine and public health.

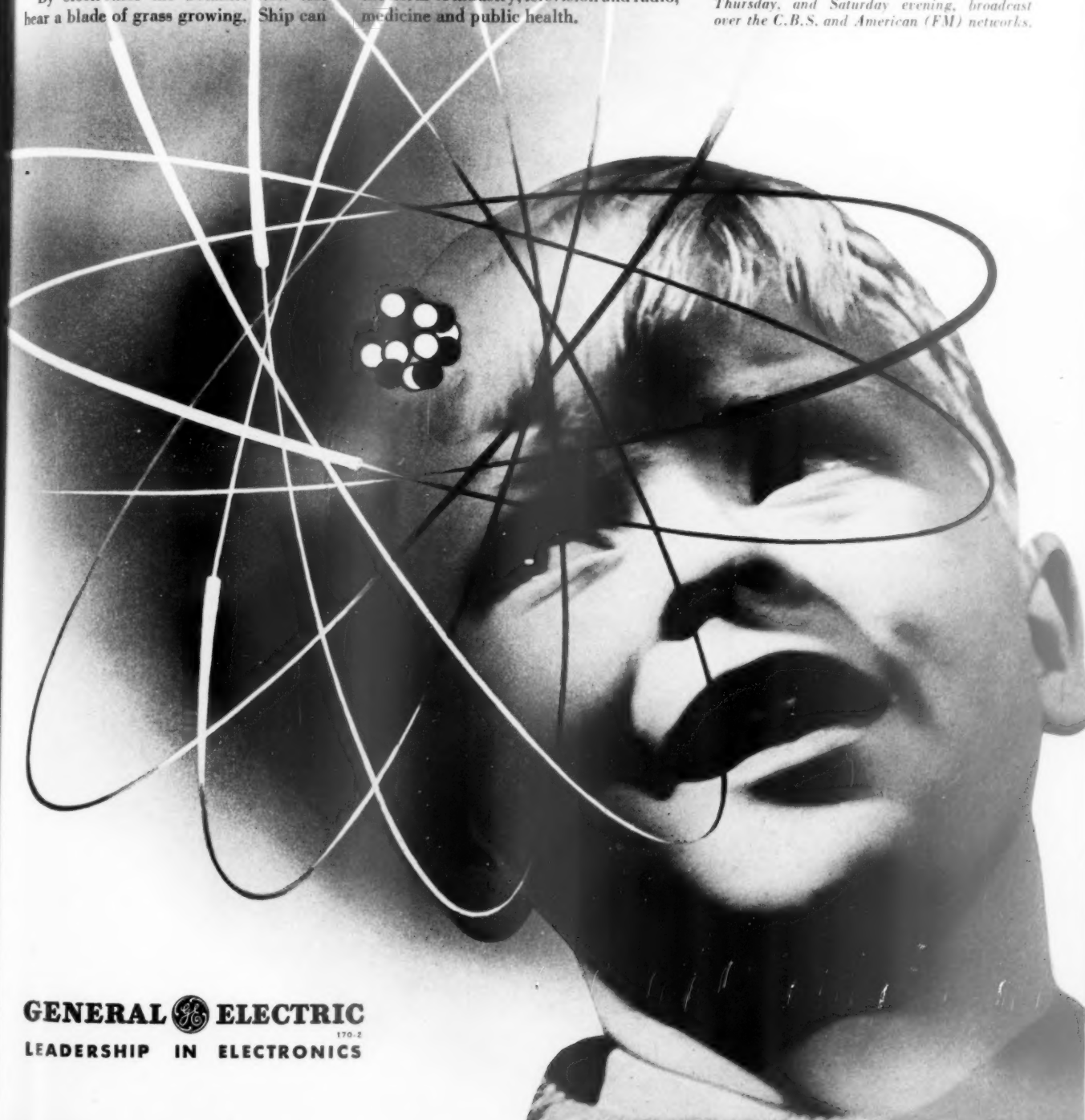
Even now, in the famous General Electric laboratories, research is wresting new secrets from the electron. Many of these are being applied to implements of warfare, to speed the victory.

But all spring from the General Electric tradition to put science to work for the American people — building a better world for us, our children, and our children's children. *General Electric, Radio, Television and Electronics Department, Schenectady, New York.*

• Listen to the *General Electric Radio News Program*, with Frazier Hunt, on each Tuesday, Thursday, and Saturday evening, broadcast over the C.B.S. and American (FM) networks.

**GENERAL  ELECTRIC**  
LEADERSHIP IN ELECTRONICS

170-2





# Quietly and Unseen - ★ Thousands of CENTURY MOTORS



*are playing their part  
by producing smooth  
power for the precision  
production of war needs*



**H**idden from view in the streamlined bases of thousands of the most modern machine tools, Century Motors—through their unusual freedom from vibration—are quietly contributing to more efficient production by making possible closer tolerances and consequently fewer rejects.

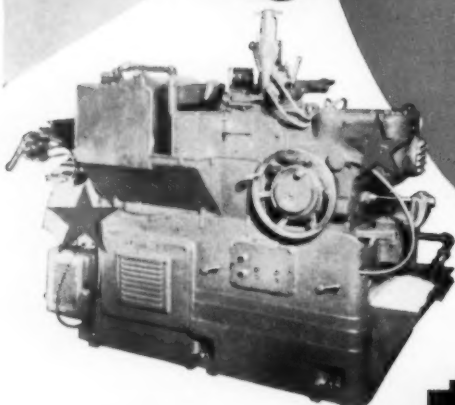
Built to stand the gaff of continuous, 3-shift, high speed production, Century Motors ask for no vacations or rest periods.

For a quick solution of any motor problem—get in touch with the nearest Century Motor Specialist. His wide experience in specialized motor application plus the wide range of Century sizes and types may save you time and trouble.

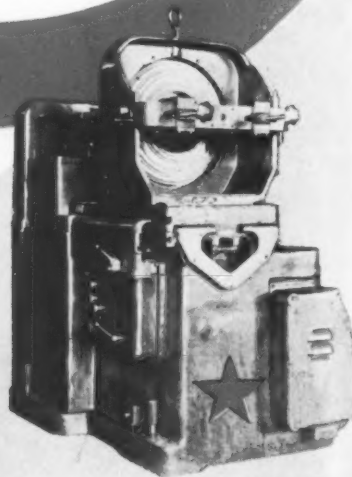
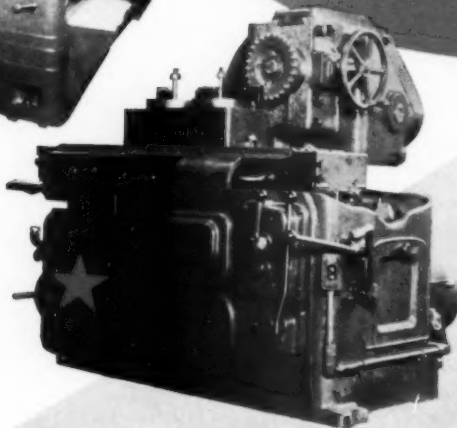
## **CENTURY ELECTRIC CO.**

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*One of the Largest Exclusive Motor and Generator Manufacturers in the World.*



ment to the order to establish a ceiling for the entire nation as of the single date, Mar. 1, 1942, "in the interest of impartiality," and later adopted a resolution withholding their approval (and presumably their cooperation) unless ceilings are also placed on operating costs, wages, and property taxes.

The Chicago Real Estate Board asked that its members be permitted a 44% increase over the Mar. 1 ceiling to take care of increases in wage and maintenance

cost that have already taken place. The Real Estate Board of New York declared that the order will work grave injustices in that freezing rents at their present levels "is, in many cases, to freeze deficits." The New York board also assailed the choice of Mar. 1, since most leases date from Oct. 1, and there has been a sharp increase in maintenance costs since that date last year.

● **Control Over Evictions**—In addition to the establishment of rent ceilings,

the order provides among other things that a landlord may not cut services rendered to his tenants below those which he furnished on the ceiling date. Also, no evictions are to be allowed for failure to pay rent higher than the ceiling. Under exceptional circumstances, such as extensive alterations or unusual increases in operating cost, the price administrator is empowered to allow rent increases if, in his opinion, no attempt has been made to evade the law.

## WAR BUSINESS CHECKLIST

### Washington's Significant Orders on Materials and Prices

● **Sewing Machines**—Assembly of sewing machines and attachments is halted June 15 by Order L-98 and is restricted meanwhile to 75% of the 1940 rate. No manufacturer may rebuild any used machines after May 25. Inventories of material are frozen except as regards interchange between manufacturers and sale on A-1 ratings.

● **Hairpins**—Order L-104 limits metal consumption in hairpins and bobbins to half the 1941 rate. No wire may be bought except low-carbon steel of less than 0.035 in. gage. Pins are limited to 2 in. in length and packages to 99 pins.

● **Autos**—Amendment of auto rationing restrictions permits person to buy a car if his present car is of 1939 or earlier model or has more than 40,000 miles on it, and he can show that he needs a car for one of these reasons: because he must travel quickly, or must transport passengers or bulky objects; because he would have to walk three miles to work and back; because he would have to spend 1½ hrs. going to work and back and could save 45 minutes with a car; because his work is hard or he must travel at night; because local transportation is overcrowded; or because it would be a physical hardship for him to walk.

● **Tires**—Amendment of tire rationing regulations requires that List A eligibles use recapped instead of new tires where this is practicable.

Price Regulation 119 grants a 5% increase over 1941 levels in the price of original equipment tires and tubes.

Price Regulation 131 freezes price of camelback in grades A, C, E, and F at 28¢, 23¢, 18¢, and 18¢ respectively.

Amendment of L-1-a rescinds the prohibition on installation of tires on new trucks of 8 tons and over.

● **Freight Cars**—All preference ratings of A-2 or lower on material for car construction not already in transit are cancelled by L-97-a-1.

Use of closed freight cars for intracity freight movement where use of trucks is possible is forbidden.

● **Textiles**—Revision of the men's clothing order, M-73-A, brings imported

clothing under the terms of the order and makes various technical changes.

Converters' and wholesalers' prices of finished piece goods of cotton, rayon, or mixtures are put under a ceiling by Regulation 127. Ceiling price is obtained by dividing by a "division factor" the sum of the cost of the grey goods, freight, working allowance for shrinkage, the cost of finishing, and the cost of packaging by the finisher.

The order provides a table of division factors varying with the fabric, the type of finishing, the cost, and whether the purchaser is a large or small buyer. Some 30 types of piece goods are exempt as are certain operations of integrated organizations.

Meanwhile, charges made by finishers to converters for finishing services are frozen at the levels charged by each processor in the Period Mar. 16-Apr. 15 by Regulation 128.

Specific tabulated ceiling prices are established for raw wool waste by Regulation 123 at levels based on those prevailing Oct. 1-15. Ceiling on processed wool waste is established at cost of the raw waste plus the margin for similar transactions Oct. 1-15.

● **Petroleum**—Motor fuel service stations in 17 Eastern states are permitted by Regulation 137 to raise prices .4¢ per gallon on gasoline and .2¢ on diesel fuel over March levels. Service stations in other areas are frozen to the March price.

● **Exports**—Special forms to be used in applying for ratings on export orders are provided for in Priorities Regulation 9. Separate forms will be approved for each class of export. First is PD-311 for exports of petroleum products; pending issuance of others, PD-1A will continue to be used. Ratings are applied for by the buyer, are applied to purchase orders by endorsement, but are not valid unless accompanied by an export license.

● **Enforcement**—General Motors has been ordered to refrain for three months from manufacturing any nonfunctional replacement parts for autos, trucks, or buses. Improper use of chrome steel and aluminum on auto trim and hardware is charged.

Susquehanna Woolen Co., New Cum-

berland, Pa., is forbidden to put into process any wool, yarn or cloth for non-military orders for three months. The charge is that the company processed more wool than is permitted by order M-73.

Aluminum & Magnesium Co., Sandusky, Ohio, is restrained until Sept. 30 from melting any aluminum for deoxidizing or alloying steel. Illegal shipments of aluminum and misrepresentation in reports to WPB are charged.

All priority assistance is removed for three months from the Tanglefoot Co., Grand Rapids, Mich. The charge is misrepresentation in obtaining a priority rating.

Everett Sales & Equipment Corp., New York City, is forbidden for one month to receive, process, or ship any cellophane. The charge is manufacture of cellophane packages for textile products.

● **Other Price Actions**—All paperboard, including specialty items previously exempt, is brought under ceiling by amendment of Schedule 32. The ceiling is the highest price charged between Oct. 1, 1940, and Oct. 15, 1941. . . . Imported nickel-bearing scrap is made subject to the same ceilings as domestic scrap by amendment of Schedule 8. . . . Temporary and voluntary price ceilings are put formally into effect by the following new regulations: 132, waterproof rubber footwear; 126, fluorspar; 124, rolled zinc (slight changes are made); 135, fertilizers. . . . The following temporary price regulations have been superseded by the general maximum price regulation: 3, novelty floor coverings; 4, sisal pads; 5, beds; 6, canned fruits and vegetables; 9, used typewriters; 12, washers and ironers; 13, stoves; 14, radios and phonographs; 15, new typewriters; 17, plumbing fixtures; 18, electrical appliances; 19, paint.

● **Other Priority Actions**—Manufacture of helmets for civilian air raid use is forbidden except on government order by L-105. . . . Limited manufacture of metal windows for certain housing projects is permitted by amendment of L-77. . . . Painting of metal-working equipment is limited to one primer coat and two coats of "old machine tool grey."



Two million reciprocating cycles — more than a year's hard service packed into a single continuous run — the Ampco Metal parts in an outstanding aircraft windshield wiper still showed no signs of wear!

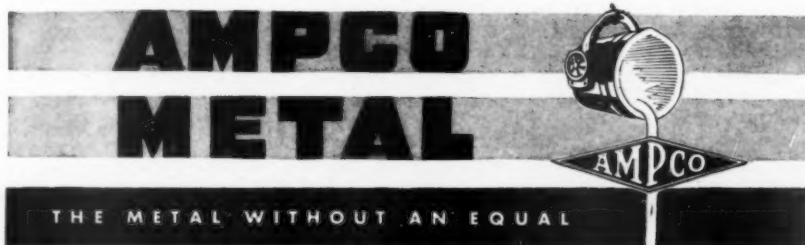
Strength and non-magnetic properties are important in a windshield wiper that may be placed on flying fortresses, swift pursuit ships, or the motor torpedo boats of the mosquito fleet. Strength to survive terrific wind pressures encountered by 400-mile-an-hour combat ships — non-magnetic properties to assure correct compass readings. Ampco Metal has both.

Once again rugged Ampco bronzes met severe service tests and were adopted as standard by critical designing engineers. In every industry where bronzes are used, Ampco Metal is giving exceptional service. *Ask for information about Ampco's abilities to stand up under your tests.*

### AMPCO METAL, INC.

DEPARTMENT BW-4

MILWAUKEE, WISCONSIN



## THE WAR— AND BUSINESS ABROAD

### Set for Showdown

Seizure of Madagascar is evidence that United Nations are alive to seriousness of impending crisis in Middle East.

The 1942 spring campaign—which may yet decide the outcome of this war (BW—Mar. 14 '42, p. 34)—will begin very soon. Washington was filled with rumors at the end of the week that the Germans would move within 72 hours. But whether the great offensive gets under way that soon or not, it is plain from half a dozen developments that the military tempo is being stepped up and that a vast struggle cannot be far away.

First moves follow the anticipated pattern for a showdown in the Middle East.

### Japanese Moves Take Form

Japan has speeded its mop-up in Burma. One division of its advance guard is already on the Chinese border. The other is sweeping west toward India. The Japanese fleet which ruled the Bay of Bengal for a few weeks early in April is reported back, presumably after refueling and reprovisioning at Singapore.

And, following the Nipponese army up the road to Mandalay are whole trainloads of Japanese technicians who are already at work rehabilitating the vast Burma oil wells and refineries, or establishing supply bases both for the fresh air attacks that will be staged against Chungking, and for use in the campaign against India which may come immediately or may wait until after the monsoon season.

### U. S. Navy's Countermove

Insiders, who watched big units of the United States navy move through the Mediterranean this week on their way to the Indian Ocean, believe that the United Nations expect the Japanese to bypass the Indian mainland during the next few weeks and to strike at Ceylon as a major base for its drive toward its next great objective, a juncture with the Nazis in the Persian Gulf or the Red Sea.

It was in anticipation of such a move that the United Nations this week occupied the strategic French island colony of Madagascar off the east coast of Africa. If it were to fall into enemy hands, the supply routes around Africa to Australia, India, and the Middle East would be jeopardized, and the great



British base at Capetown would be threatened.

With the strong naval base at Diego Suarez in their hands, and the airfields under the full control of the British, the United Nations are obviously getting set for the showdown which they believe will be forced on them very soon.

### Tactics, Not Economics

Economically, Madagascar is not very important. It happens to produce small quantities of mica, graphite, and hides which are useful war materials, but the quantities available this year are too small to be of much consequence. And its 3,700,000 people will be of small aid to the war effort for, when used by the French in the Near East during the last war, they made poor soldiers.

But strategically, the island is of vast importance for, in the hands of the Japanese, it would make the Allied supply route around Africa to India and the Middle East almost as vulnerable as the much shorter route through the Mediterranean. And, if Japan is able to launch fresh forays against our Pacific supply lines now that the major battles in southeastern Asia are won, Washington may decide to haul most of its Australian supplies around Africa.

### Supply Problem Dominant

Vital United Nations supply problems are involved in the defense of the Middle East.

Now that the oil of both the Netherlands Indies and Burma is lost, the only important supply still in United Nations hands is in Iran and Arabia. Less than 1,000 miles north of these vitally important Persian Gulf fields are the great Russian oil centers at Baku and Grozny, in the Caucasus. These two fields are unquestionably the next major objectives of the Axis.

Since "black February," oil has threatened to become almost as much of a bottleneck as shipping. Australia, for example, has no oil and now that neighboring supplies in India and Burma have been cut off, all supplies must be hauled from Iran or from the United States.

One catch about this which very few laymen consider is that a tanker must carry on the outbound trip to Australia enough fuel for its own round trip. That means that a considerably smaller portion of its cargo than usual is pay load. It means, also, that Australia's industries are threatened with fuel shortages for many of them were dependent on oil rather than coal.

### Vital Place of Iran's Oil

If, now, the Iran fields were also lost, the delivery problem to the Middle East would become almost impossible, for whatever oil reaches India and China for the next few months, at least, will come

## TIMKEN BEARING EQUIPPED

Freight Trains of the Future will Travel at Passenger Train Speeds



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The engineering development which will permit freight trains to travel at passenger train speeds is roller bearings.

When freight trains are operating at these high speeds, America for the first time, will have "One-speed" railroad-ing—with its manifold advantages.

In every branch of modern transportation, Timken Roller Bearings are the answer to highly efficient, high speed, economical, dependable operation.

In the railroad field itself, Timken Bearings made feasible the high speeds of America's newest streamliners and high-speed locomotives.

Timken Bearings have proved too, that they reduce maintenance costs, increase life of equipment, eliminate hot-box delays and improve fuel economy.

Timken Bearings will do the same outstanding job on freight cars that they are doing on all types of locomotives, passenger cars, and modern streamliners. The Timken Roller Bearing Company, Canton, Ohio.



# TIMKEN

Trade-mark Reg. U. S. Pat. Off.

## TAPERED ROLLER BEARINGS

Manufacturers of TIMKEN Tapered Roller Bearings for automobiles, motor trucks, railroad cars and locomotives and all kinds of industrial machinery; TIMKEN Alloy Steels and Carbon and Alloy Seamless Tubing; TIMKEN Rock Bits.





## LIGHTWEIGHT CONCRETE

One of the most recent substitutes for critical building supplies in England is a concrete-like product which contains a large proportion of sawdust and is called Nashcrete for its inventor, T. F. Nash. Advantages



claimed for Nashcrete over ordinary concrete are that it is considerably lighter, that it can be sawed or nailed like wood. Another advantage, from a British production standpoint, is that the material is so light that women can do most of the work, including tending concrete mixers.

from Iran, which also must keep the Indian Ocean fleet fuelled and the planes and the tanks of the Middle Eastern army in operation.

There are other supply problems, too.

Ships carrying supplies to our armies in Australia, India, and the Middle East have been hauling home badly-needed raw materials. Australia can supply wool and hides for us, and wheat, butter, and meat for the Middle Eastern armies.

## India Helps Production Effort

And from India our ships are bringing home manganese, chrome, and mica. London pointed out one serious angle of the production problem if communications with India were cut. Declared The (London) Economist more than a month ago:

"In recent years, world production of manganese ore fluctuated between 5,000,000 and 6,000,000 tons a year, with a manganese content of slightly less than 50%. To this total, Russia contributed some 3,000,000 tons and India between 900,000 and 1,200,000 tons. Russia has been exploiting two large deposits, the Nikopol deposits in the Ukraine and the T'shiatiry deposits on the southern slopes of the Caucasus. The one, which provided about one-third of Russia's supplies, is in the hands of the Nazis, and exports from the other, formerly shipped from the Black Sea port of Poti, are now limited through lack of adequate transport facilities.

"In India, manganese ore is mined in the Central Provinces and shipped from Bombay, Calcutta, and Vizagapatam.

But even if the threat to communications with India should become serious, the Allies would still be in a better position than during the last war, when Russia and India were the only large producers. During the interval, production in South Africa and the Gold Coast has been increased very considerably to a capacity of about 1,500,000 tons a year; 500,000 tons can now be supplied annually by Latin America, mainly from Brazil, Cuba, and Chile, and a further 200,000 tons by the Sinai Peninsula in Egypt."

## Madagascar's Place Clear

So the Madagascar episode fits into a pattern of conflict which both sides understand thoroughly. The stakes are so big it can be certain that the fighting will be fierce.

The United Nations are quietly making other bold moves to counter the Axis threat in the Middle East. President Roosevelt announced that lend-lease aid would be extended to Iran and Iraq, where American engineers several months ago began modernizing the Iranian railroad system (BW—May 2 '42, p. 36), and are even now helping to dredge and equip new harbors at the head of the Persian Gulf.

Simultaneously, Major General Russell L. Maxwell announced in Cairo that American service troops are now completely installed in the Middle East and prepared to keep in trim the thousands of British and American planes that have been arriving in that area during the last six months.

Though the four-year-old railroad across Iran is only a single-track line with a limited supply of rolling stock, it is being used to rush to the Soviet frontier some of the equipment desperately needed for the big spring campaign in the Ukraine. At the same time, the United Nations are trying to supply Iran with some of the food and manufactures which the country imported from the Soviet Union or the Axis before the war.

## Aid to Russia Tops Billion

Only a part of the supplies for Russia are moving through Iran. Major supply route from Britain and the United States is still across the North Atlantic to Murmansk where, last week, German planes and small naval craft staged a terrific battle against an incoming supply convoy. Washington revealed during the week that nearly \$1,000,000,000 of lend-lease supplies had been delivered to Russia, and that Moscow was already placing orders for its second billion dollars worth of equipment.

That Washington is anticipating that the Soviet Union will hold out in the present struggle is evident from the recommendation of the Petroleum Coordinator's office (recorded in the Federal Register) that every possible aid be given the Amtorg Trading Corp. in acquiring the rights to special oil refining processes now controlled by American oil companies, and that technicians be loaned if necessary to assist the Russians in building new refineries according to specifications now secretly held by these companies.

## R. A. F. Plays Important Part

Meanwhile, Britain's R.A.F. continued its air offensive against Germany despite the reported loss over the last two months of 187 bombers. It is apparent now that Britain has adequate supplies of bombs and enough planes—counting the steady flow now arriving under their power from the United States—to risk a bombing offensive on a big enough scale to affect Germany's striking power.

London admits frankly that this great new offensive which has reduced Rostock to a shambles and hit Hamburg, Lübeck, and Pilsen, is designed to disrupt Nazi war industries, destroy communications—particularly those maintained with the Eastern Front—force Berlin to divert fighter planes and bombers from the Russian front, and to break German morale.

But behind these avowed objectives, insiders knew that the R.A.F. was striking at the most important U-boat shipyards (many of which are located along the Baltic coast) rather than depending on the much less certain targets that completed submarines provide once they are sent into action in the North Atlantic.

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## Protection for Defense Production

*...from Seaplanes to Submarines... Tanks to Trench Mortars, Pittsburgh Paints Safeguard American Industry's Ever-Increasing Production of Military Materials and Supplies*

WITH the allied democracies today demanding more and more war production, industry is engaged in the greatest and most diverse manufacturing program in American history. This means new finishing problems arise almost daily, that require the right solution without delay. For America's war effort cannot wait!

That's why—just as in three past wars—the Pittsburgh Plate Glass Company's technical men are in the field, working intimately with Industry's own engineers, formulating finishes for products destined to serve in all parts of the world.

Backed by Pittsburgh's more than 80 years of experience and extensive research facilities, these highly trained experts are consistently proving their ability to develop the correct finishes for practically every item of defense production...

from seaplanes to submarines and from landing barges to trench mortars, helmets, typewriters and tanks.

The fine quality of Pittsburgh finishes is due to the extreme care with which they are made. All operations in their manufacture are conducted under a thorough system of laboratory control. And rigid inspections and application tests assure uniform standards of highest quality.

Pittsburgh is proud to serve American Industry in protecting defense production. A letter, 'phone call or wire will bring a Pittsburgh representative promptly, for a consultation.

### PITTSBURGH PLATE GLASS COMPANY

Industrial Paint Division, Pittsburgh, Pa.

Factories: Milwaukee, Wis.; Newark, N. J.; Houston, Texas; Los Angeles, Calif.; Portland, Ore.

Thresher Varnish Company Division, Dayton, Ohio

# PITTSBURGH

*Industrial Finishes*

PITTSBURGH STANDS FOR QUALITY PAINT AND GLASS



# MARKETING

## Soup Simmers

**Ready-to-serve canning is liquidated by tin restriction, and entire industry must adjust to WPB's nutritive standards.**

The War Production Board aims to return the once-familiar soup kettle to its old place of honor on the back burner of the kitchen stove. In so doing, it is turning the canned soup business—heretofore an industry with comparatively few troubles beyond the necessity for doing as well as grandma did, or better—inside out.

• **Tin Can Order**—Soup first got WPB's attention in the sweeping tin can conservation order, M-81, issued last February. The order slashed production of the ready-to-serve variety—the kind that travels from can to pan to table without even the addition of water—to 25% of 1940 volume up to June 30, by limiting the amount of tinplate that might be used in packing it to that amount, banned it entirely after that. Production of canned condensed soups, to which an equal amount of water must be added, was limited to 100% of 1941 volume.

The effect of M-81 was virtually to present the entire soup business to already-mighty Campbell in a silver tureen. Campbell accounts for an estimated 85% of all U. S. soup sales, and such noteworthy competition as the company has comes almost entirely from producers of ready-to-serve soups.

• **Competitors**—These include Heinz (Campbell's biggest competitor with some 7% or better of the total market) and Hormel, as well as such makers of comparatively high-priced specialties as Cross & Blackwell and Richardson & Robbins, and important sectional packers like Secman Bros. (White Rose) in the New York area.

Only noteworthy producer of the condensed variety other than Campbell is Phillips Packing Co. Back in 1935, Phillips threatened to crack the market wide open with a retail price of 5¢ a can (as against Campbell's 10¢ straight, or 3 for 25¢). The trade was alarmed by reports of vast truckloads of soup moving into the New York metropolitan area from Phillips' Cambridge (Md.) plant (BW—Feb. 16 '35, p10). Apparently, however, Phillips' 5¢ price lost much of its appeal once the edge had worn off the depression.

• **Order Amended**—By pegging 1942 tinplate quotas for condensed soup to 1941 output, M-81 cut out entirely those

ready-to-serve packers who had no condensed business last year on which to base '42 production. WPB eventually fixed things up with an amendment to M-81, issued early in April. This provides that ready-to-serve packers may get 70% as much tinplate as they used last year—if they convert to condensed.

This is what most of them are likely to do. If a ready-to-serve packer already has used up the 25% tinplate quota he was given by M-81 (and most of them have), he must subtract this from the 70% he gets under the amendment. Thus, most ready-to-serve packers will get, for canning condensed soup, about 50% as much tinplate this year as they used in 1941.

• **Five-Year Trend**—In banning ready-to-serve soups, WPB has emphasized a trend that has made itself felt for the past five years—a decline in the sales of this variety. On the other hand, in its amendment to M-81, WPB has neatly

nipped off another trend, that toward titillating the family palate with greater and greater variety.

The new order limits production to these types: chicken, chicken gumbo, chicken noodle, gumbo creole, consommé, bouillon, tomato, asparagus, spinach, fresh green pea, clam or fish chowder, Scotch broth, vegetable, vegetable-vegetarian (minus meat), pepper pot, oxtail, mock turtle, country style chicken, corn chowder, beef, and vegetable beef. Such varieties as cream of mushroom—which WPB considers a luxury—are out. So are bean and cream of potato. WPB thinks the housewife can make these herself.

• **Percentages of Solids**—Of more importance to the industry than the ban on some varieties, however, is the requirement that all soups not only must be condensed, but must also contain certain specific percentages of dry solids by weight. The various chicken soups (except country style) must be 6% solids; tomato, asparagus, spinach, and fresh green pea, 7%; chowders, 8%; beef and vegetable beef, 12%; all others, 10%. Moreover, these solids must be

Form OPA 8-30 (This form may be reproduced)

UNITED STATES OF AMERICA  
OFFICE OF PRICE ADMINISTRATION

APPLICATION FOR GASOLINE RATION CARD  
"B-1," "B-2," "B-3"

The owner or person entitled to possession of a motor vehicle (or his authorized agent) may apply for a Class "B" gasoline ration card. Application such card should be made by filling out this form. A separate form must be filled out for each vehicle for which a ration card is desired. At the time of executing this form, the registration card for such motor vehicle must be presented.

(Print)

1. Owner's name \_\_\_\_\_

2. Owner's residence address \_\_\_\_\_

3. Owner's business address \_\_\_\_\_

4. What is the exact nature of your work? \_\_\_\_\_

5. Describe below the motor vehicle for which you desire a ration card:

MAKE	BODY STYLE	ENGINE NO.	VEHICLE LICENSE NO.	STATE

6. If you drive to your work, what is the shortest mileage from your home to your regular place of work or commuting point? \_\_\_\_\_

7. How many miles do you drive each working day in carrying on your work (other than from home to work and back)? \_\_\_\_\_

8. What is the total average daily mileage customarily driven in the car described above to get to and from work and to carry on work? \_\_\_\_\_

9. Are you making every possible effort to reduce this mileage by using public transportation and by "doubling-up" with your neighbors? \_\_\_\_\_

I CERTIFY that the motor vehicle described above is in use and that each of the foregoing statements is true, and I further certify that the gasoline obtained with the ration card issued on the basis of this application will be used solely in the motor vehicle described herein and will not be used for any other purpose.

Section 30 (A) of the United States Criminal Code makes it a criminal offense, punishable by a maximum of 10 years' imprisonment, \$10,000 fine, or both, to make a false statement or representation to any Department or Agency of the United States or to any officer or agent of any Department or Agency of the United States.

THIS APPLICATION IS SUBJECT TO THE VERIFICATION OF YOUR LOCAL RATIONING BOARD

Save Gasoline and Help Win the War

For 10,000,000 automobile owners in 17 states—rationed gasoline by units

May 9, 1942

MEMO TO: EXECUTIVES

Your help is important in this fight on waste.  
P.S. Reprints of this advertisement and "Fight Waste" shop posters  
will be sent in any quantity upon request.



★ BE A ★  
**WASTE  
WARDEN**

*lend a hand  
to "Keep 'Em Rolling"*

**FOR VICTORY**



**U**NCONSCIOUS waste in this land of plenty can become a serious handicap in our war effort. Let's take a case in point — oxygen. This element is vital to the speedy production of tanks, trucks, guns, ships, planes, and shells.

Oxygen consumption continues to skyrocket and the bottleneck remains steel cylinders. They just can't be obtained fast enough. But, we can all help by making every cylinder

most useful. Here's how we can all help: Reduce your reserve of cylinders to a minimum. Order fewer and order more often. See to it that empty cylinders are shipped back promptly.

**Ask everyone in your plant to make himself a Waste Warden.** Tear out this ad — send it to the man in charge of your shop. Ask him and all his men to join the "Waste Wardens."

**WASTE WARDEN SAYS:**

- DO** close cylinder valve after use.
- DO** check your hose and connections for leaks.
- DO** keep inventory low.
- DO** return empty cylinders promptly.
- DO** keep tips clean and free from carbon and slag.



- DON'T** use excessive pressure.
- DON'T** use oversize tip.
- DON'T** leave tip burning when not in use.
- DON'T** abuse cylinders.
- DON'T** leave cylinder valves open when gas is not being used.

# Air Reduction

60 EAST 42nd ST., NEW YORK, N. Y.

IN TEXAS: MAGNOLIA-AIRCO GAS PRODUCTS CO.



**IDLE CYLINDERS ARE PRODUCTION SLACKERS: Keep 'em rolling for**

chicken, or beef, or fish, or vegetables. The soup can't be padded out with rice, macaroni, ground pretzels (a favorite thickener), or whatnot.

Soups must contain these solids, says WPB "in order to improve their nutritive content." Credit for inclusion of this quality standard in a priority regulation apparently belongs to the Department of Agriculture's Bureau of Home Economics.

• **Criterion Provided**—Prior to the amendment of M-81, there was no official criterion for condensed soup. The Food & Drug Administration has standards for condensed soups on its calendar, but isn't expected to get around to them for many months. FDA has occasionally taken action against flagrant skimpers—a packer who advertised his product as "chicken and noodle soup," for example, when it contained only three or four particles of chicken.

Even for Campbell and other condensed soup makers, the solids requirement is likely to mean a shift in production techniques. For example, WPB demands that chicken soups contain at least 6% chicken (or other nutritious) solids; some condensed chicken soups now on the market contain as low as 3%.

• **Double Squeeze**—Upping the amount of solids will mean upping costs—and produce prices and wages already have soup men tearing their hair. Lend-lease demand has pushed up prices on important soup vegetables like tomatoes, beans, and peas. The cost of farm and factory labor likewise has spiraled skyward. The double squeeze already has forced Campbell into a price increase. Wholesale prices on case lots of chicken and cream of mushroom have risen 30¢, on other soups 20¢.

On the brighter side, soup makers seem as assured as anyone can be these days of adequate produce supplies. Campbell's captive farm system—followed by many other makers—of supplying farmers with seed, picking their labor, and contracting to buy their entire output is mainly responsible for this.

• **Tire Problem**—It is also responsible for the fact that packers share farmers' worries about getting enough labor and transporting crops to factories. There was a time, of course, when Jersey farmers hauled their produce to Campbell's Camden plant in horse-drawn wagons. But the tractor and automobile have left Jersey's farms practically horseless, creating a serious problem as treads wear thin.

Biggest of all the industry's worries, however, is tin. Packers so far apparently have given little serious consideration to alternative forms of packaging.

• **Dehydration**—This doesn't mean that the canners aren't eyeing a young and prosperous competitor, the dehydrated soup business (BW—Aug. 23 '41, p. 26), with interest and concern. If tin were the only thing that's short, a general

shift to dehydrated soups already might be under way. But steel for elaborate dehydration equipment is also tight. Opinion in the trade is that inability to get necessary equipment is the only thing that has kept Campbell from entering the dehydrated field long before this.

## Marmola Loses

Long chapter is ended as Supreme Court upholds FTC and orders Raladam to "cease and desist from misrepresentations."

A famous chapter in the history of federal legislation curbing misleading advertising—and in the litigation which has come in its wake—was closed last week by the United States Supreme Court. Ruling unanimously on an appeal by the Federal Trade Commission from the decision of the Sixth Circuit Court in Cincinnati, the Supreme Court directed the Raladam Co. of Detroit to "cease and desist from misrepresentations concerning the efficacy and safety" of its fat-reducing compound, Marmola.

• **Previous Ruling**—The case of FTC vs. Raladam goes back to the nineteen-twenties. In 1931 the Supreme Court ruled, on appeal from the Sixth Circuit Court, that the commission was powerless to curb Raladam's claims for Marmola because there was no proof of injury to interstate competition.

But the "Nine Old Men" left no doubt that their interpretation of the law and their opinion of Marmola were two different things. The court said: "If the necessity of protecting the public against dangerously misleading advertisements of a remedy sold in interstate commerce were all that is necessary to give the commission jurisdiction, the order could not be successfully assailed."

• **Wheeler-Lea Amendment**—Advocates of stricter food and drug legislation and further federal curbs on advertisers' claims made Marmola their battle cry. The case became a powerful publicity weapon in the campaign for the Wheeler-Lea amendment, enacted in 1938 to permit FTC to move against unfair trade practices without proving injury to competition.

Impatient to finish off Raladam, FTC did not wait for passage of the Wheeler-Lea amendment to issue another complaint against the company. This time the commission collected what it believed was sufficient evidence of injury to competition to make the case stick in the courts.

• **Another Decision**—By the time the Sixth Circuit Court got around to passing on Raladam's appeal from the new complaint, the Wheeler-Lea amendment had become law. But the court

ruled that since FTC's complaint was issued before the passage of the amendment, it must be judged on the basis of the old Federal Trade Commission act. The court's decision was that FTC had failed to prove sufficiently the injury to competition required by the old law.

It is this decision which has just been reversed by the Supreme Court—and on the basis of the old law.

• **Court's Reasoning**—To get around the dearth of evidence showing actual injury to competition, the Supreme Court decided that one of the objects of the original FTC law was to prevent potential injury to competition by squashing malpractices in their infancy. Thus, ruled the court, "when the commission finds, as it did here, that misleading and deceptive statements were made with reference to the quality of merchandise in active competition with other merchandise, it is also authorized to infer that trade will be diverted from competitors who do not engage in such 'unfair methods'."

By this interpretation of the old law, the Supreme Court has saved FTC the trouble of issuing a new complaint under the Wheeler-Lea amendment, taking its case against Raladam through the legal mill from the beginning again.

• **FDA Action, Too**—Raladam also has to reckon with the Food & Drug Administration's campaign against Marmola—and other dessicated thyroid preparations sold as weight-reducers. FDA's seizure of Marmola as a dangerous drug is now in the courts, should come to a decision shortly.

## Bad Salmon Year

Labor shortage, rather than lack of supplies, darkens outlook for Alaskan canneries despite large demand for product.

True to form, the "glamour pack" of the fish industry, canned salmon, appears to be getting under way in complete confusion. But in almost every other respect the 1942 season, complicated by war problems, probably will differ vastly from the usual.

• **Big Decline Expected**—In Seattle last week outfitting of Alaskan operations began while prospects for the industry generally were none too bright. Normally doing a business of between \$50,000,000 and \$60,000,000, packers this year will be fortunate if they can do half that volume despite increased demand for lend-lease and the armed forces.

Chief obstacle is an almost complete lack of shipping space to Alaskan fields. Packers' own supply vessels, with the exception of a few small craft, have been commandeered (some to make the same Alaskan run with military supplies), and



only available shipping space appears to be to southeast Alaska via the Alaska Steamship Co.

• **Problem of Location**—Difficulties of the canners are in direct ratio to the distance of the canneries from the domestic market (or their proximity to Japan). Not only is transportation to some areas impossible but military activity precludes any operations.

Hardest hit is the western fishing area, habitat of the prized red salmon. Of the 6,000,000-case yearly pack, the red variety (amounting to about 2,000,000 cases) has a dollar volume around \$25,000,000, close to half the industry total. Some 2,000,000 cases of pink salmon and a like number of other varieties, including chinook, medium red, and chums, also are canned in a normal season.

• **Bad News for Bristol Bay**—This year at Bristol Bay, Alaska, where 75% of the red pack is canned, operations will be somewhere between 10% and 25% of normal provided there is no enemy action in the area. Of the 21 canneries now on the bay (formerly 36) only two or three of the smaller ones are expected to open using native help.

Contrary to popular impression, labor and not supplies is the chief bottleneck. In most plants enough cans and other supplies were left over from last year for 50% of normal operations. In addition, a few critical materials were sent in weeks earlier than usual whenever any ship space was available.

• **Competition for Labor**—Unable this year to get passage for the 6,000 to 10,000 workers who annually make the Alaskan trip, some canners are flying in key men to operate with whatever native help can be assembled. Canning plants, however, are far from towns, and labor is elusive, many natives having found jobs in construction camps.

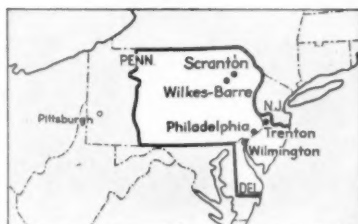
Where canneries do not open, many native fishermen who don't care to work within cannery walls anyway will return to their first love when the fishing season opens. Unable to sell their fish in the usual quantities they will probably salt their catch which will be shipped south later on returning transports.

On the Alaska peninsula, nearer population centers, operations may reach 80% to 90% of normal. In southeast Alaska, the area closest to Seattle, activity may even approach that of last year. New use of ice packing and freezing of salmon for canning is expected to increase the operating radius of fishermen supplying plants in this district.

• **Wage Dispute**—The May 1 opening of the fishing season on the Columbia River found packers and unions still negotiating contracts. Increases of about 15% over last year's wages to both cannery workers and fishermen, proposed by employers, were found unacceptable to the Columbia River Gillnetters, and the Fish and Cannery Workers Union.

## The Regional Market Outlook

PHILADELPHIA (Income Index—145.6; month ago—144.1; year ago—118.3)—Factory employment in this highly industrialized Reserve district is apt to rise more than 150,000 by the year-end. But, from now on, gains will be confined to shipbuilding, ordnance, machinery, and other war lines. Textile output—notably hosiery, carpets, and silk—is lagging below levels of a year ago (actually layoffs are taking place), and such other light goods as foods, paper,



37,023 sq. mi. pop. 7,777,910

CHICAGO (Income Index—152.8; month ago—149.9; year ago—128.2)—Activity in this heavy-goods region is on the upbeat, despite shutdowns of appliance output and WPB curtailment of freight-car building.

Around Chicago, for instance, Pullman Standard Car's war orders already quadruple its railroad equipment backlog; plants of Borg-Warner and Stewart-Warner (auto parts) are busier than ever, and appliance makers are well into arms conversion. Indeed, Chicago prospects are soaring, with expansion of aircraft-engine factories and the erection of Douglas and Chrysler plants planned. Downstate, Springfield, Danville, and other towns (BW—Mar. 7 '42, p. 60) are stirring with new arms projects.

Meanwhile, the auto industry is recovering from the passenger car ban. Dollar output will be up to peacetime peaks by September, and perhaps 50% above by May, 1943. Right now, em-

and printing are up only slightly.

Payrolls are rising most sharply in and about this city because of shipyard concentration along the Delaware. Anthracite mining, however, in the areas around Pottsville, Wilkes-Barre, and Scranton is perking up—as it did last summer (BW—Sep. 6 '41, p. 40). Anticipatory buying against next winter's needs is again a factor, but the shortage of tankers for transportation of residential fuel oils is even more important. Output is up 10% over 1941 thus far, and the trade expects that conversion of oil burners to anthracite will maintain that gain.

As during 1941, increases in farm income are running at only half the national rate. But agricultural gains now compare more favorably with those in industrial areas, and if the weather is kind to pastures and fruit and vegetable crops, cash returns should spurt later in the year.

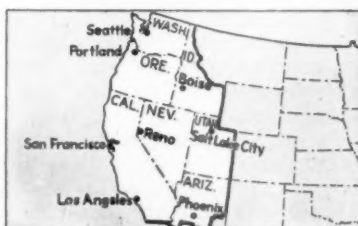
employment is off almost 25% from a year ago in Flint, but is up slightly in Detroit, South Bend, and other centers.

Agricultural prospects continue to rank high—the concentration here is on livestock, and feeding ratios are highly favorable (BW—May 2 '42, p. 62). Although the farm outlook is less dependent than usual upon plantings and yields, increased corn, oats, and soybean acreage is likely to offset wheat damage by a comfortable margin.



190,446 sq. mi. pop. 19,406,389

SAN FRANCISCO (Index Income—169.2; month ago—164.9; year ago—132.5)—Income payments in this better-than-average Reserve district continue to soar. Armament acceleration is chiefly responsible—along the coast, aircraft in and around Los Angeles and Seattle, shipbuilding in the Portland and San Francisco industrial areas; and inland, aluminum at Spokane, magnesium at Las Vegas, and steel and ordnance at Salt Lake City—Ogden-Provo. Such



685,438 sq. mi. pop. 11,280,195

“regular” West Coast lines as Pacific Northwest lumbering, Hollywood motion pictures, southern California petroleum, and mining in the intermountain region still advance only moderately.

Agricultural income also promises to outrun the nation's—as last year. California lettuce, dry bean, and potato plantings will be up, and prices are sharply higher; enlarged demand for other fresh and canned vegetables will also probably lift receipts. Growing conditions for fruits—apples in the Northwest, and peaches, pears, plums, etc., in California and Arizona—have been favorable, and good yields are in prospect (although citrus quality, if not volume, has been off this year).

Among the grains, a 50% increase in district barley plantings, or nearly 800,000 acres, will more than offset a drop in Idaho and eastern Washington wheat seedings. Acreage devoted to flax, oats, and corn will be largely unchanged.



Coal is plentiful at the moment and rail transportation is adequate—but, since both are vital to our national offense, there is no assurance that this condition can continue.

There is one way you can be certain of comfort next winter—fill your bin now with high quality Pocahontas or other coals mined along the Norfolk and Western Railway. These superior coals have lasting and slow burning qualities which produce plentiful heat during the day and easily carry the fire on bank at night. Dustless treated sizes, suitable for use in stokers or for hand-firing in furnaces, stoves and fireplaces, are available in any quantity.

Buy your coal now—next winter it may be needed elsewhere!

For a frank discussion of your heating problems (present or future and at no cost) call or write your nearest N. & W. representative or the railway's Coal Traffic Department at Roanoke, Virginia.



**Norfolk  
and Western  
Railway**

CARRIER OF FUEL SATISFACTION

CORP. 1942 N. & W. RY.

# PRODUCTION

## Field Day for Felt

Material's importance is enhanced by use in paratroops' pads, sailors' storm helmets, many products of industry.

All winter long the warm felt boots of the Russian soldier have been cited again and again as a primary reason for his ability to survive and flourish in sub-zero cold while many of his nondescriptly shod Nazi opponents froze in their tracks or retreated. Quite uncited, but scarcely less vital to all-out military operations, have been a host of unpublicized wool felt applications—landing pads for parachute troops, oil-retaining washers for the shafts and bearings of tanks and planes, storm helmets to protect the faces of sailors against the winter blasts of the North Atlantic, lubricators for machine guns—more or less hidden applications ranging from the raiment of the armed forces of the world to their implements of destruction.

• **Easy to Handle**—Whether its various types are used for warmth, resilience, vibration absorption, wear resistance, liquid resistance, liquid permeability, acoustic insulation, or other physical characteristics, felt can be worked by simple methods. It requires no special forming dies, molds, presses, curing operations, or supplementary finishing treatment unless desired for an unusual application.

Once cut, skived, turned, or pressed, felt parts are ready for instant use. That's why felt is destined to play an important role in replacing some of the rubber and cork, and even some of the metal that we are not going to get for the duration.

• **Replacing Rubber and Cork**—Manufacturers of radio receiving sets are already using felt instead of rubber for mounting chassis in cabinets. Felt pads replace both rubber and cork in anti-vibration mountings for machine tools and other mechanical equipment. (Many of the lighter machines are cemented to felt which is in turn cemented to the floor or bench, requiring neither bolts nor lag screws. When it comes time to shift machines for a new production layout, they can be moved and relocated in a fraction of the time usually required.)

Bus builders turn to lightweight panels built up of plywood and felt as replacements for the aluminum alloy sheets now impossible to get for luggage carriers in their vehicles. Refrigerator manufacturers use felt instead of rubber

washers. Large air blowers are being supported and cushioned on felt bases. A leading manufacturer of electrical instruments recently ordered a large quantity of L-shaped felt channel to replace sponge rubber which he could not get for isolating cathode ray tubes from external vibrations.

• **Not a True Textile**—Although it is thought of most frequently in terms of its springy, spongy characteristics, felt can be processed to almost any consistency from the softness of a puppy's ear to the hardness of a seasoned maple board. Unlike true textiles, in which spun and twisted fibers are guided by weaving or knitting into a predetermined pattern, the fibers in true felt are teased into an almost self-selected arrangement without distortion of their natural twists and bends.

Billiard felt is not felt, but a cloth; papermaker's felt is a specially woven woolen blanket; roofing felt is a combination of asbestos fibers and asphalt or other adhesives compressed into a heavy paper-like sheet; felt boots are knitted, then shrunk to size over "lasts"; "blown felt," a surface treatment for fancy packages, automobile interior trim, and other specialized purposes, is achieved by blowing "flocked" wool, cotton, or rayon onto paper or cloth which has been given an adhesive coating to catch and hold the short bits of fiber. Sometimes, when a velvet-like texture is desired, the flock is caused to stand on end electrostatically before it is caught by the adhesive.

• **Mixing the Fluff**—In the highest grade wool felts, clip wools and "noils"—the soft combings from sheep's wool prepared for spinning into yarn—are used exclusively. (Felt hats are made of the soft under fibers of rabbit, beaver, or other furs, sometimes with admixtures



Protecting the interior of a military airplane against heat, cold, and noise is a layer of special felt made of wool, cotton, and kapok.

of milk casein fibers or sheep's wool, depending upon grade.) This fluffy stuff is mixed, combed, and blown into the air in veritable clouds until the fibers are completely untangled. They are then carded, recarded, and finally criss-crossed into a web or "batt" of loosely compacted fibers several times the thickness of the finished piece.

The batt is then unrolled upon the hardening table, where in the preliminary felting operation it is thoroughly steamed and then violently agitated under the pressure of a huge platen. Pressure, steam, and agitation together cause the kinky wool fibers to interlock and tangle until a very loose, but uniformly dense three-dimension fabric is formed by the natural tendency of wool to mesh and cling together.

• **Controlling Consistency**—The more it is agitated while in the steamy, critical state—which the felter controls scientifically—the tighter the embrace of the fibers with one another and the harder the material. (Felters like to call their material an "interlocking, self-tightening mechanism.") In a "fulling" operation, which follows, the hardened felt is rolled, tossed, and pounded with battering rams in a huge caldron, the duration of this process determining the final consistency of the material—whether it is to be soft and pliable as a window drapery or hard as the business end of a bass drumstick.

Incidentally, hard felts for drumsticks, for "bobs" which polish the recessed surfaces of steel forming dies, for wheels used in polishing metals and glass, are all turned to final shape in a lathe like so much wood. Both drumsticks and piano hammers testify to the ability of felt to stand up under tremendous blows and frequent impacts for many years without change of form or substance. Incidentally, too, practically all felt can be treated to make it resistant to moth, mildew, water, oil, what-have-you.

• **Wool Does the Best Job**—Apparently sheep's wool alone possesses the maxi-



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***Continental Motors Corporation***

MUSKEGON, MICHIGAN, U.S.A.



Felt manufacturers expect quite a run on drapery felt for quick-acting black-out curtains, with or without applique decoration, also of felt.





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mum felting power. But such is its bonding ability that it will enmesh almost any other fibers of animal, vegetable, or synthetic origin, as for example the wool-kapok-cotton felt used for sound and heat insulation in airplanes. Although the ideal felt construction for certain critical uses calls for 100% virgin wool—and WPB has that tied up pretty thoroughly for military and critical civilian uses—it is possible and practical to produce good wool felts with 15% new and 85% reworked wool. Lower-grade felts, including blends of nonwool fibers, can be made with no new wool whatever. Fortunately for manufacturers who may be thinking of felt as a replacement for critical materials, the Felt Assn. reports some leeway on capacity—though probably not much for work with a priority rating under A-10. Most of the members are working on a two-shift basis, could go to three if the demand is there and if WPB will take care of them on machinery and materials.

Although there are some big felt producers—like American Felt, Booth Felt, Felters Co., Fidelity Felt, Standard Felt, and Western Felt—with mills strategically located from California to Massachusetts, the U. S. Census of Manufacturers reports only 37 establishments in the business of producing "felt goods, wool, hair, and jute (except woven felts and hat bodies and hats)" in 1939. Aggregate output was 115,822,171 lb. with a value of \$22,818,578.

• **Hat Makers Could Help**—If lack of cork, rubber, and other materials should cause an overpowering swing to felt, there is a pool of felt production in the hat industry. There are no figures available on their output in pounds, but wool felt hats and bodies were turned out by 12 establishments to the tune of \$16,009,816 in 1939, and fur felt hats worth \$39,500,929 by 43 establishments.

There should be plenty of felt for tank operator's "armor," air filters for gas masks and respirators, pads for steel helmets, chevrons for sergeants and petty officers, and all the host of military essentials—plus some for fireside slippers on the home front.

### PRODUCTION CONFERENCE

Seven subjects vital to all-out war production will make up the program of American Management Assn.'s two-day Spring Production Conference, scheduled for May 13-14 at the Hotel Astor, New York: (1) organizing companies for conversion and expansion; (2) organizing executive staffs for war work; (3) finding employee replacements; (4) ideas for lengthening the life of equipment; (5) getting full worker cooperation on war work; (6) production control, and (7) stimulating plant enthusiasm. A.M.A. conferences are not restricted to members, nonmembers being invited to attend sessions.

## NEW PRODUCTS

### Triangular Pencil

Newest mechanical pencil is the Nahill Repeater, about to be marketed nationally by Wm. Vredenburg, 43 S. Walnut St., East Orange, N. J. Each of a dozen 2½-in. leads in its "gun-shape barrel" is triangular in cross section, incidentally making possible the writing of both fine and heavy strokes required by some kinds of shorthand. Though the pencil is of the propel-repel type, each lead follows the other as needed at the turn of the top. Under the removable top is an adjustable eraser with over an inch of rubber in reserve.

### Barbed Plastic Trim

Seven months ago, Extruded Plastics, Inc., Norwalk, Conn., brought out Interlox Plastic Trim for table edging, shelf trim, and flat wallboard joinings (BW—Oct. 18'41,p65). It is extruded out of Tennessee-Eastman Tenite II with integral barbed flanges which lock it into position without the use of screws, nails, or adhesives.

Now the Interlox line is being extended to include similarly pronged



strips (in a full range of colors) for covering wallboard joints in inside corners, on outside corners, in 130-deg. joints, as well as flat joints. The strips will come in four shapes for the four types of joints. All become automatically secured when forced into place. Julius Blum & Co., Inc., 532 W. 22nd St., New York, is sole distributor.

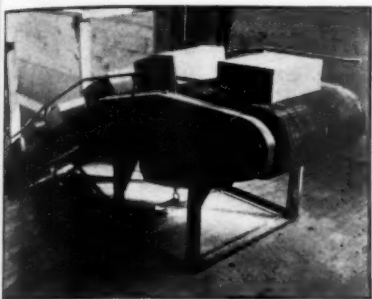
### Paper Concrete Forms

Because wooden forms for square concrete piers are comparatively slow to erect and take down, Sonoco Products Co., Hartsville, S. C., developed Sonoco Laminated Spiral Wound Paper Tubes

for building cylindrical concrete piers. They come in three standard inside diameters—9, 11½, and 13½ in., to produce round piers equivalent in strength to square piers 8x8, 10x10, and 12x12 in., respectively—in lengths up to 24 ft. After concrete poured into them has "set up," the forms can be stripped off easily with a special tool, or allowed to slough off in contact with ground moisture.

### Standardized Conveyor

If present facilities for carrying work from one floor to another are holding up the free flow of war production in your plant, you might look into the



Floor-Veyor, new product of Rapids-Standard Co., 535 Bond Ave., N.W., Grand Rapids, Mich. It is a compact standardized belt conveyor, shipped as a unit complete with motor drive and belt. In a typical installation, your millwright simply prepares a floor opening, hoists the unit into place, anchors it to the floor, and plugs in the nearest electrical outlet.

Also available are standardized horizontal Floor-Veyors for carrying work from operation to operation.

### Chemical Sprinkler System

There are likely to be spots in almost any industrial or mercantile operation where the regular water sprinkler system will not take care of special fire hazards. For such, the Bancroft Automatic Chemical Sprinkler System has been newly developed to use a harmless patented extinguishing liquid which vaporizes on contact with flame and heat, forming a heavy vapor blanket to cool and smother many types of fires, including magnesium.

Chemical sprinkler heads, which work just like water heads, are connected by piping to a tank full of the liquid. An electrically-operated compressor maintains pressure throughout the system automatically. The manufacturer, Bancroft Chemical Sprinkler Co., 82 Foster St., Worcester, Mass., is also prepared to install larger and more comprehensive chemical systems in plants with dangerously meager water supplies.

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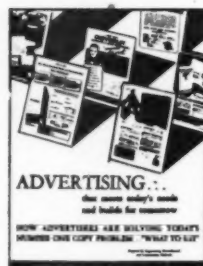
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3. Analyzes 14 copy slants now being used successfully. Tells what each does for the reader and why it helps the advertiser.

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1. Help win the war
2. Build future business.

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3. Future business.

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## LABOR

### Equality Campaign

Political pressure exerted in Cleveland for local drive to foster employment of Negroes in city's war industries.

"Equality," guaranteed to American Negroes by the 14th and 15th amendments to the Constitution, is reaffirmed in the Selective Service Act. It was also reaffirmed by President Roosevelt a year ago in Executive Order 8802, better known among Negroes than among whites, which stated:

"... there shall be no discrimination in the employment of workers in defense industries of government because of race, creed, color, or national origin, and I do hereby declare that it is the duty of employers and of labor organizations in furtherance of said policy and of this order to provide for the full and equitable participation of all workers in defense industries without discrimination because of race, creed, color, or national origin."

● **Pressure Exerted**—This week the economic equality front opened up in Cleveland, in a vital sector of war industry. Mayor Frank J. Lausche, who has his own city War Production Committee, was importuned by Negro leaders to be the spearhead of a local drive to promote the employment of thousands of colored men as trainees for skilled machine jobs, and of thousands of colored women on war assembly lines.

The metropolitan Cleveland area, which contains about 1% of the national population, also contains about 1% of the U.S. Negro population. Three members of the 35-man city council are Negroes. In other public offices, racial recognition is personified in a member of the city civil service commission, and in one assistant city law director, Charles White, a Harvard graduate. The white Republican leader of the city council, Herman Finkle, owes political strength to his ability to influence Negro voters. Such varied factors, in the opinion of many observers, make Cleveland a favorable proving ground for the nondiscrimination decree.

● **Between the Wars**—Negroes came to Cleveland in large numbers to meet industrial demands of the last war. They remained to swell the city relief and WPA rolls when hard times came knocking.

During WPA's most swollen months of 1938, 80,000 Greater Cleveland families were supported by government-made work and another 20,000 lived on city relief. About 20% of these 100,000 family units were Negroes. Today, Ne-



groes make up 40% of the 14,000 Cleveland families who are left on WPA and city relief. Negroes, their leaders complain, are the last to be hired and the first to be fired.

• **In War Industries**—Thousands of Negroes are now employed in Cleveland war industries. The U. S. Aluminum Co.—Alcoa subsidiary—has the largest quota, about 2,000. National Bronze & Aluminum Foundry Co., which bounced right back into production after a disastrous fire last fall, has another 1,000. National Malleable & Steel Castings Co., Ferro Machine & Foundry Co., Westinghouse Electric & Manufacturing Co., and the steel mills in Cleveland all number their Negro employment in the hundreds. All of these, however, hire them for "hot work," that is, for work in foundries or for other heavy labor in metal production and fabrication.

Thompson Products, which next to Republic Steel has become Cleveland's largest employer of labor, also has become the city's largest employer of Negroes in semiskilled jobs.

• **Internal Difficulties**—The most logical objection to hiring Negroes in war industry, according to George Merritt Washington, Cleveland secretary of the Urban League, is that such a change in policy may cause internal plant difficulties. When this objection was raised first, he said, he discounted it immediately, but experience has shown otherwise.

In one Cleveland plant which he named, there is an urgent need for additional workmen to meet war schedules. The management was ready to begin hiring Negroes but the local A.F.L. Machinists' Union entered a strenuous protest. None have been hired there, to date.

At White Motors, protests by some union members (C.I.O.'s United Auto Workers) were overruled and the company a few months ago began hiring Negro plant workers for the first time in its history. As an organization, the C.I.O. Auto Workers Union stands for nondiscrimination.

• **Official Attitude**—The War Production Board has a Negro employment and training branch, headed by Negro Robert C. Weaver, a government career man with a Harvard Ph.D. In Cleveland the other day Weaver said:

"The primary responsibility for ending racial discrimination in war industry rests with employers. Employers are the ones who must take the initiative. If there are union objections to hiring Negroes, industry can handle that situation. Appeals can be taken to the President's Committee on Fair Employment Practices if necessary."

Whenever Negroes are inducted in war industry under WPB's aegis, they are inducted with the cooperation of labor. Otherwise, the new employees

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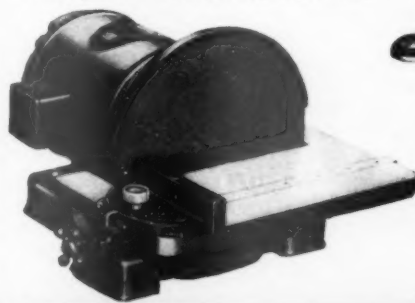
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# DELTA MILWAUKEE



Finding Negroes entirely suitable for semiskilled work such as polishing hollow aircraft valves, Thompson Products Co., Cleveland, has hired hundreds.

would be deviled out of their jobs by their fellow workers.

At this stage, WPB has had almost no complaints that Negroes were being hired at sub-standard wages.

### U. A. W. Loses Thompson

For more than three years, C.I.O.'s United Automobile Workers Union has been hammering away, trying to organize employees of the Thompson Products, Inc., in Cleveland. It's been an uphill struggle for the union because Thompson workers preferred an independent organization even though that independent has been decreed a "company-dominated union" by the National Labor Relations Board. Thompson workers' attitude toward U.A.W. was also colored by the fact that the U.A.W. organizer in Cleveland, Ed Hall, has long been charged with leftist leanings.

Hall, who found organizing difficult at Thompson's, spent most of his time with various political activities, but last winter felt confident or impatient enough to ask NLRB to come in and take a poll at Thompson plants. That election was held May 1 and a tally of the ballots this week showed that Hall had miscalculated and U.A.W. had suffered one of the most serious election losses in years.

The results at the main plant were 1,288 for U.A.W., 87 for an A.F.L. machinists' union which was on the ballot, and 2,519 for "neither union." At another NLRB election held at the same time for Thompson Aircraft Products, a Thompson Products subsidiary, U.A.W. got a comparable snowing under. An independent, the Aircraft Workers Alliance, polled 2,249 while U.A.W. got 1,203 and 134 voted for neither. Hall is protesting both elections.

## Base-Pay Mixup

Industries accustomed to wage-hour standards run into Walsh-Healey on U.S. jobs. Now Walling is ironing things out.

Stored in the stock room of an overall manufacturing plant in El Paso is a huge red, white, and blue sign. It says, in foot-high letters, "You are working for Uncle Sam. Do your best. Your pay is 37½¢ an hour now."

Until last September, the sign used to be taken out regularly, unrolled, dusted off and plastered up on the plant wall facing a battery of women sewing-machine operators. Whenever the sign went up the girls knew the denim they worked on that day was going into work clothes which the government was buying for federal prisons, CCC camps, or Army stations.

• **Two Legal Standards**—Under the Walsh-Healey Public Contracts Act the Secretary of Labor had specified that manufacturers of work clothes filling government orders had to pay a minimum wage of 37½¢ an hour. Under the wage-hour law the minimum was 32½¢ an hour and that is what the El Paso sewing-machine operators got when they weren't working on government jobs.

Last September the Walsh-Healey and wage-hour differential on work clothes was wiped out as the wage-hour minimum for the industry went up to 40¢ and the El Paso factory put its sign away for good. But in other "40¢-and-under industries," differentials persisted and made for awkward situations.

When the defense program billowed

into full tide and then became a war program, hundreds of employers found themselves government contractors for the first time and came under the Walsh-Healey Act. In some cases, where they worked on war goods only part time, they were forced into using devices similar to the El Paso overall firm.

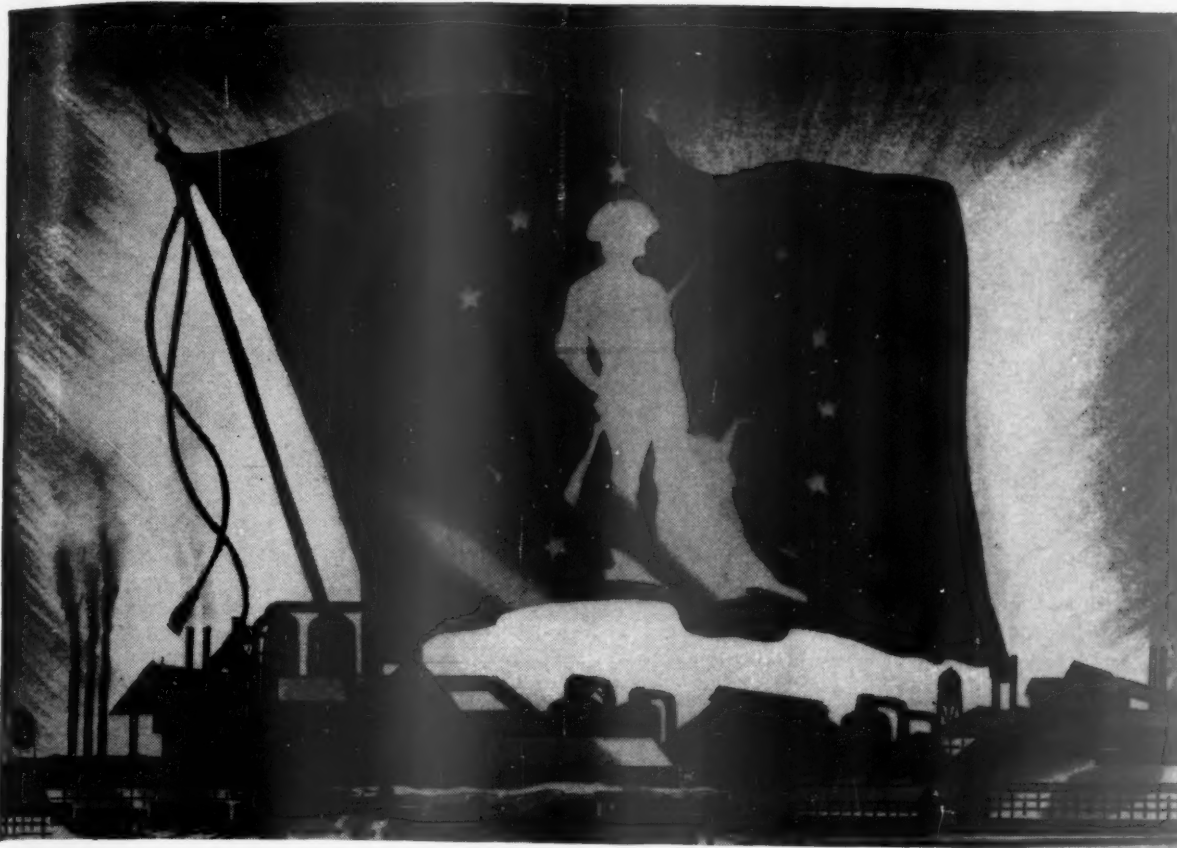
The Walsh-Healey Law requires that a contractor with a government order for \$10,000 or more pay "prevailing" wage rates, while wage-hour requires a minimum of 30¢ an hour unless a higher rate, not exceeding 40¢, has been established by an order based on an industry committee recommendation. Difficulties in administration arose when a contractor operating under a wage-hour law order for more than 30¢ an hour received a government contract for production of the same goods at a prevailing rate determined by the Division of Public Contracts and this latter was a rate of pay more than the wage-hour minimum order.

• **How the Rates Were Fixed**—In many cases the Public Contracts Division found that the prevailing rate was above the wage-hour minimum. The division set its prevailing figures after surveying the wage structures of industries concerned. If it was a unionized industry, the prevailing rate was taken to be that which was set in collective bargaining agreements. If not unionized, payrolls of representative firms in the same line of business and firms in the geographic area were examined and a representative rate was judged to prevail.

Prevailing-wage determinations now



L. Metcalfe Walling has started to coordinate Wage-Hour and Walsh-Healey for the Department of Labor.



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You don't need to be engaged in war production activity to fly this flag. Any patriotic firm can qualify and make a vital contribution to Victory by making the Pay-Roll Savings Plan available to its employees, and by securing 90 percent or more employee participation. Then notify your State Defense Savings Staff Administrator that

you have reached the goal. He will tell you how you may obtain your flag.

If your firm has already installed the Pay-Roll Savings Plan, now is the time to increase your efforts: (1) To secure wider participation and reach the 90-percent goal; (2) to encourage employees to increase their allotments until 10 percent or more of your gross pay roll is subscribed for Bonds. "Token" allotments will not win this war any more than "token" resistance will keep our enemies from our shores, our homes. If your firm has yet to install the Plan, remember, **TIME IS SHORT.**

*Write or wire for full facts and literature on installing your Pay-Roll Savings Plan now. Address Treasury Department, Section D, 709 12th St., NW., Washington, D. C.*

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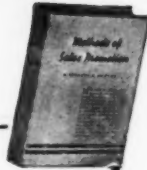
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## Phil Fights John with a Timely Tear

"Well, here I am—president of the C.I.O. today, a checkweighman yesterday—in a meeting of my own local, my own local."

The speaker was Philip Murray, the scene the tiny mining community of Cokeburg 35 miles south of Pittsburgh. Murray, as vice-president of the United Mine Workers, was formally launching a campaign against the efforts of John L. Lewis, president of the U.M.W., to read him out of the coal miners' union. The schism is directly traceable to Murray's support of President Roosevelt's foreign policy.

• **Out Comes Handkerchief**—There were tears in Murray's eyes as he said, "Anything I got out of life I attribute to you—all of you. The miners made me, the miners raised me, and I hope I am given a chance to live, to die..." His voice broke and he fumbled a handkerchief from his hip pocket.

This speech was Murray's first straightforward answer to Lewis. The latter had publicly dunned C.I.O. for 1,665,000 coal miners' dollars, had withheld the U.M.W.'s per capita tax to the parent organization, had permitted subordinates to write indignant letters to Murray with copies to the newspapers.

• **Meaning Is Clear**—Murray mentioned Lewis by name only once when he denied any "ambitions, political or otherwise," or that he wanted "John L. Lewis's job." But his meaning was pretty clear when he recalled a fight he had had with a mine boss near Cokeburg many years ago, and said: "The guy in the



miners' union who thinks he is going to pull an Arthur Allen on me is going to have a fight on his hands."

By Murray's own summary, he is perhaps "guilty of two offenses. First, I have performed conscientiously my duties as vice-president of the U.M.W. and president of the C.I.O. Second, I really and truly have supported the President of the United States."

His 90-minute review of his record with mine workers dripped with innuendo. "I'm not hiring anybody out of the steel industry and putting them on the payroll to go around and malign anybody," he reminded his listeners, and then quoted the late Sam Gompers: "A lie will travel around the universe while the truth is trying to get its boots on."

in effect under Walsh-Healey cover 43 industries. Proceedings are in progress which will determine such rates for 12 more. But while the prevailing rate for Walsh-Healey is only occasionally equivalent to the highest in an industry, it is sometimes a figure below that established as a wage-hour minimum.

• **Coordinator Walling**—Elimination of these discrepancies, long bothersome to the Department of Labor which administers both statutes and to employers who have had to operate under them, is rapidly resulting from the recent action of President Roosevelt in naming a single administrator to handle both. Since assuming administration of the Wage-Hour Division in March (BW-Mar.7'42,p74), while retaining administration of the Division of Public Contracts, which he has directed since its formation in 1937, L. Metcalfe Walling has been busy coordinating the two agencies, cutting out the overlap, and

erasing conflicts in rulings and enforcement.

As chief for Walsh-Healey, Walling enforced the act with as much flexibility as the statute permitted. The fact that there are fewer than 50 actions now pending against firms charged with violations—the bulk of them involving New York garment manufacturers making Army uniforms—testifies that he has walked softly and made little use of penalties.

• **Responsibilities**—This in spite of the fact that, technically, the manufacturer who is in the habit of subcontracting in the normal operation of his business and who, under a deluge of war orders, is farming out bits and pieces to a new crop of subcontractors, is held liable under Walsh-Healey "for any acts or omissions on the part of a substitute manufacturer which would have constituted violations of the contractor's contract if he had performed the con-

tract in his own plant and had committed or suffered such omissions in connection with that performance."

Under a strict interpretation, a contractor in his own protection would thus be forced to police the employment practices of any subcontractor. But the exigencies of increasing production induced Walling to minimize this requirement. He is eliminating pay discrepancies between the two laws by having the Division of Public Contracts establish wage rates at at least the level required under the wage-hour law.

• **Working Out Details**—In the same manner, regulations are being adopted to bring "tolerances" for learners and handicapped workers permitted under Walsh-Healey in line with the more rigid learner and handicapped worker restrictions of wage-hour.

Another step toward bringing the two acts into accord is the current order lowering the age limit for employment of girls under Walsh-Healey from 18 to 16 years in certain industries in accordance with a request made by the Secretary of War.

The incorporation of the 70-odd Walsh-Healey Act inspectors into the regional wage-hour division offices and the assignment of a common function (to get compliance with both laws) to these inspectors and the 900 employees of the wage-hour field staff will soon be effected.

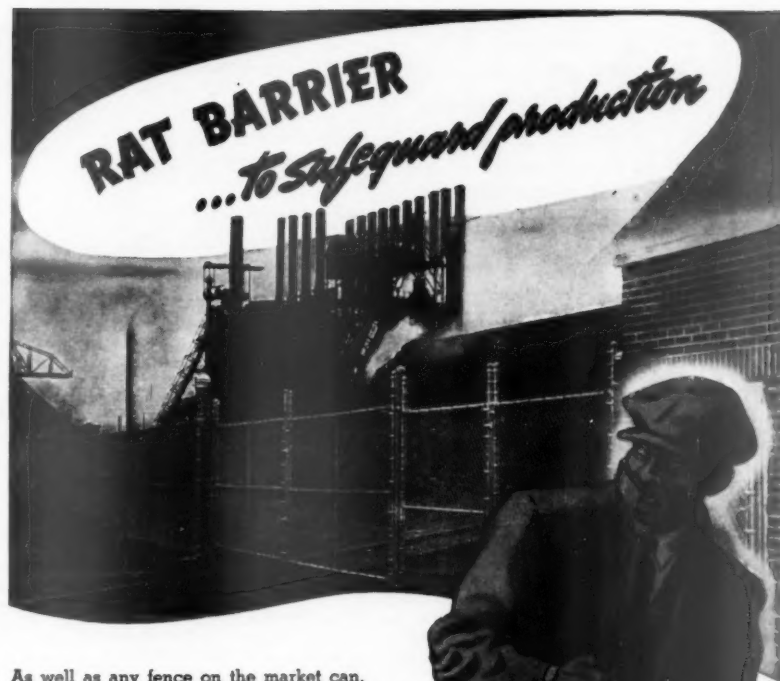
## Resisting M. of M.

Inland, going own way in Little Steel fight, is hoping to sway NWLB from reasoning of Federal Shipbuilding case.

The most important labor dispute in the country, and the one which involves the greatest number of employees, is the battle between C.I.O.'s Steel Workers Organizing Committee and four Little Steel companies. S.W.O.C. is demanding a \$1-a-day wage increase and a union shop; the companies are resisting with all the arguments they can command.

• **Panel Hearings**—For the last eight weeks, since the union presented its demands before a fact-finding panel of the National War Labor Board (BW—Mar. 14'42, p84), the companies have been marshaling their arguments before the panel. At the request of the panel chairman, both sides pledged themselves not to reveal what went on in the hearing room. But at the close of Inland Steel Co.'s testimony last week, which completes the first round robin of arguments, the restriction on public statements was lifted.

While the fact-finding panel is drawing up its report for submission to the full board, which in about four weeks



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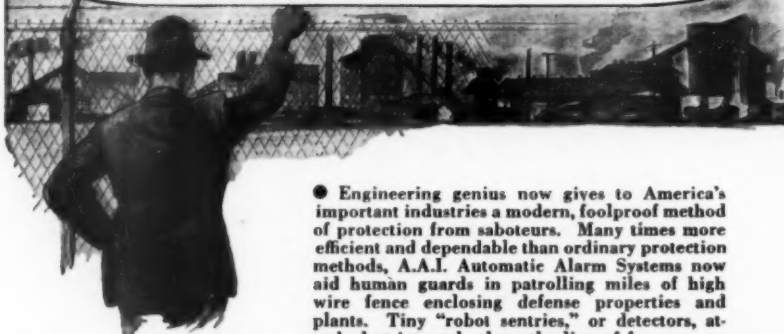
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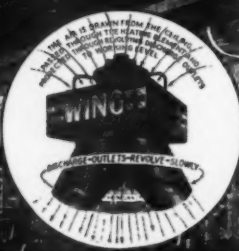
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will schedule public hearings preliminary to a decision, the union and at least one of the steel companies are talking on the record for the first time since NWLB took jurisdiction.

● **Wage Position**—The union is saying two things which may be taken now as official C.I.O. policy—worked out in the light of President Roosevelt's anti-inflation message. It notes that the President excepted two situations in his appeal that wages be stabilized: cases where wages were unequal and cases where they were substandard.

S.W.O.C. claims that the rapid rise of the cost of living has made steel wages (now at a 72¢ an hour minimum) substandard, and that therefore its wage increase claim is in no wise affected by the Roosevelt program. But just in case NLWB refuses to accept this logic—the best guess is that it will deny a blanket increase for an industry whose average wage is better than 95¢ an hour—the union will use such a rejection to bolster its demand for a union shop.

● **Insistent on Security**—It will redouble its efforts to achieve some type of union security because it knows that if its wage demand is spurned the President's anti-inflation program will be attended by a crippling of union wage bargaining power. Hence, having given up the right to strike, and facing curtailment of its bargaining functions, C.I.O. unions are more insistent than ever that union security is their due.

In the Little Steel case, the companies have opposed that argument with contention that "questioning the right of a man to work unless he pays tribute to a labor organization can only bring about strife and disunity." Inland Steel, which for purposes of the hearing before NWLB has dissociated itself from Republic, Bethlehem, and Youngstown Sheet & Tube, and which asserts that its wage average rate of \$1.03 is 5.3¢ higher than the rest of the industry, has thus far been the most articulate opponent of S.W.O.C.'s demands.

● **Sykes Tells Why**—President Wilfred Sykes of Inland told his stockholders that Inland "will resist the imposition of so-called union maintenance" by NWLB. He charged that "in many respects union maintenance is a more undemocratic procedure and more dangerous to American institutions than the closed shop itself." Because they consider it such a radical departure from good labor policy, Sykes and the Inland spokesmen before the board held that "it is not properly a subject for arbitration by the board" and should be submitted to Congress.

In support of his company's position, Sykes said, "Our bargaining record with S.W.O.C. is excellent, our compliance with the Wagner Act has never been successfully questioned, and we shall submit our record to NWLB with entire confidence that there are no cir-



circumstances which would justify their imposing so-called union maintenance upon us against our will."

• **On Its Own**—Observers saw in the independence of Inland's position a hint that that company suspected that NWLB was in a frame of mind, following its grant of a maintenance-of-membership contract to Big Steel's Federal Shipbuilding subsidiary (BW—May 2'42, p.71), to order union security for at least one of the steel firms. And Inland was being careful to cite its own record individually so that it did not become identified in the board's thinking as "just another one of the Little Steel companies."

## Big As Bridges?

Expansion of S.W.O.C. on West Coast throws spotlight upon Director Thimmes, known for his anti-Communism.

West Coast management executives are currently eyeing one James G. (Slim) Thimmes as perhaps the one C.I.O. official who is in a position to approach the stature of Harry Bridges in the western C.I.O. setup.

Thimmes, who has been head man for S.W.O.C. in California since 1940, was recently appointed director of C.I.O.'s Steel Workers Organizing Committee for California, Oregon, and Washington. His jurisdiction was extended to the Pacific Northwest when Richard Francis, a "John L. Lewis man," resigned in the exodus of pro-Lewis officials.

• **Why He's Important**—The growing importance of the Ohio-born Thimmes is due largely to two factors: (1) the increasing power of the S.W.O.C. on the Coast as a "war production union" with a membership which, in the last couple of years, has about equaled that of the United Automobile Workers and Bridges' own International Longshoremen and Warehousemen; (2) his consistent anti-Communist position, which insures that he can't be tagged "Red" by either unionists or employers.

The fact that the West Coast appears to be getting the steel operations for which it has been hungering naturally enhances the importance of steel workers' unions in the area. S.W.O.C. leaders claim that in the last 12 months their membership has grown faster than that of any other C.I.O. union on the Coast.

• **Show of Strength**—S.W.O.C. appears to be firmly entrenched in the blast furnace at Provo, Utah (Columbia Steel Co.). Its strength may be challenged when the steel plant at Riverside, Calif., to be built by the Henry J. Kaiser group, goes into operation, but Thim-

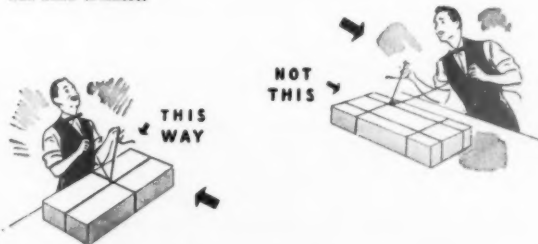


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Turning the "Searchlight" on Opportunities  
 "clues" will appear in the May 23rd issue next. Copy for scheduled issues required 5 days in advance. **RATES:** 50 cents per word or \$2.50 per line (or fraction) per insertion, payable in advance. Minimum charge \$5.00. Discount 10% on orders for insertion in four consecutive issues. Publication box number addresses count as 2 words; replies forwarded without additional charge. Address box number replies c/o Business Week, 230 W. 42nd St., New York, N. Y.



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NEXT ISSUE for "clues" ads May 23. Copy required May 19.

mes, of course, feels he has that situation well in hand. Of the half dozen or so rolling mills on the Coast, only one (at Niles, Calif.) is A.F.L. The ambitious C.I.O. group claims it is making considerable headway in the steel fabricating plants in the area.

In the shipyards, no C.I.O. union has made much progress against the powerful A.F.L. Metal Trades, although the C.I.O. has a foot in the door at Oakland (Calif.) yards. For a few weeks, C.I.O. leaders thought they saw an opportunity to break in at the Portland shipyards of Henry J. Kaiser but that door was slammed shut late last month when Kaiser said he would sign contracts with the A.F.L. (BW—Apr. 25 '42, p73).

Among Coast foundries, S.W.O.C. is quite well entrenched in Los Angeles; elsewhere the A.F.L. predominates.

• **In Can Manufacture**—Thimmes' cohorts have been very successful in the tin can manufacture, important on the Coast. This was highlighted Apr. 26 when S.W.O.C. delegates from nine California can factories (seven American Can and two Continental Can) staged a meeting in Monterey, stronghold of A.F.L. fishermen's and packing house workers' unions.

The tall, suave Thimmes apparently has been able to build a reputation for dependability among his men (and to a large extent among the employers with whom he has relationships), an asset which isn't being overlooked by national leaders of the S.W.O.C. and C.I.O. Like the tall, gum-chewing Harry Lundberg, head of the A.F.L. Sailors' union, he is regarded on the Coast as one who abides by his contracts.

• **An Old Hand**—Thimmes is an old hand in the steel workers' labor organization. He cut his eye teeth as a union official in the Amalgamated Association of Iron, Steel & Tin Workers of North America during pre-C.I.O. days. His first S.W.O.C. job was in the South Chicago area, and he first went to California in 1937 to follow through on the S.W.O.C. contract with United States Steel.

Then he went back east with the difficult assignment of picking up the pieces after the Republic Steel strike. In 1939 he went west again as assistant to John Riffe, California S.W.O.C. director. When Riffe was transferred east in 1940 as assistant to Van Bittner, who was then directing organization of Bethlehem Steel for S.W.O.C., Thimmes took his place.

• **Union Relationships**—Thimmes hoes his own row on the Coast without any particular reference to Harry Bridges, C.I.O. director for California. While he gets along with what used to be called "the leftist group" of state C.I.O. officials, he takes his orders straight from S.W.O.C. and C.I.O. national leaders.



A coming figure in labor circles—James G. Thimmes, West Coast director of C.I.O.'s fast-growing S.W.O.C.

## Up to the Unions

Jurisdictional cases will go to NWLB labor bloc, then—if unsolved—to arbitrators named by A.F.L. and C.I.O. heads.

Although jurisdictional disputes between unions have accounted for only a small proportion of work stoppages, they have always been a particularly virulent form of labor trouble and a type extremely difficult to settle. The National War Labor Board has more than once sullied its prestige by attempting to wave an olive branch between warring unions.

• **New Procedure**—Effective this week, NWLB is trying a new bypass device which will take jurisdictional disputes off its docket and shift responsibility for their peaceful settlement squarely upon the shoulders of the labor leaders who have pledged that there will be no work stoppages while the country is at war.

The new procedure provides that when a jurisdictional dispute comes before the board it will be referred to the labor members of NWLB, who represent both the A.F.L. and the C.I.O. Failure of the four labor men to effect a settlement will send the case, not to the full board, but to the presidents of the A.F.L. and the C.I.O., who have agreed to appoint a single arbitrator or a board to make a final, binding determination.

• **Los Angeles Case**—Technique approximating this was used in handling the

Los Angeles street railway dispute, which was one of the first to come before NWLB (BW—Jan. 24 '42, p. 58). In that embargo, the company had a closed-shop contract with the A.F.L., and the C.I.O. threatened to call its adherents out because of alleged discrimination. The issue was peacefully resolved in favor of A.F.L., as the majority union, when NWLB tossed the problem into the laps of its labor members.

But in that case the employer, bound by a closed-shop contract, was committed to complete unionization. It remains to be seen whether such a friendly spirit will persist when the two labor groups deal with a jurisdictional fight in a situation where the employer wants no part of either one of them.

## N. Y. TIMES AGREEMENT

After two years of organizing which culminated in a National Labor Relations Board election victory for C.I.O.'s American Newspaper Guild, and after many months of negotiations, employees of the New York Times were working this week under a collective bargaining agreement.

The agreement, which is to run for one year and is then subject to renewal, is different from the standard A.N.G. contract in that it does not provide for a Guild Shop. A Guild shop clause makes it necessary that every employee below the rank of supervisor be a member of the Guild.

It was the Guild shop question which protracted the negotiations. Arthur Hays Sulzberger, president and publisher of the Times, refused to accept a Guild shop for the news and editorial departments of the newspaper though willing to make union membership a condition of employment for others.

Sulzberger's opposition to union membership for reporters and editors was based on the Times' position that "those who are concerned with the handling of the news shall not be required to be members of any definite group, whether it be political or industrial or any other; a contrary position, we firmly believe, would militate against the complete impartiality that is the very essence of the news."

## NWLB'S JOB EXPANDS

The significance of the New York City building service workers' strike lies in the way it ended. For 13 hours last week, dwellers in 800 west-side apartments climbed stairs, sorted their own mail, as 8,000 building employees picketed for higher wages and a union shop.

Then Secretary Perkins certified the dispute to the National War Labor Board, and the strikers went back to work. It meant the government was enlarging NWLB jurisdiction beyond "disputes vitally affecting war effort."

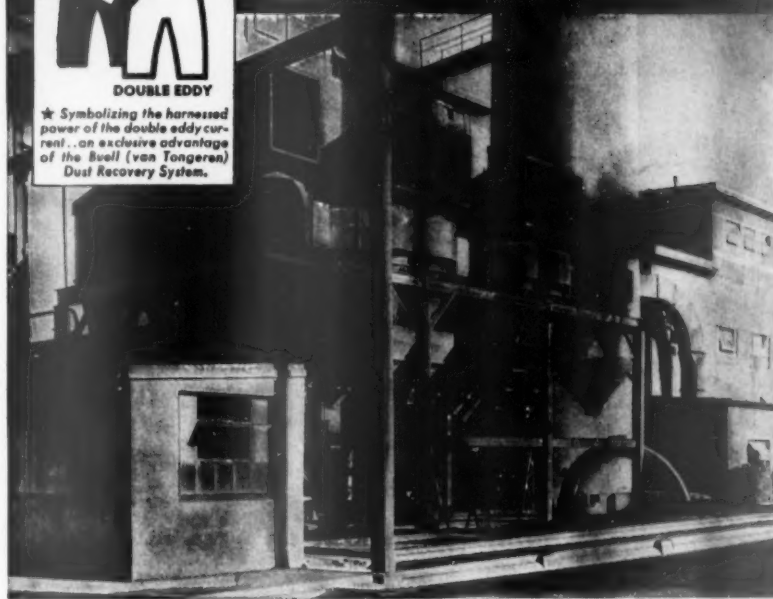
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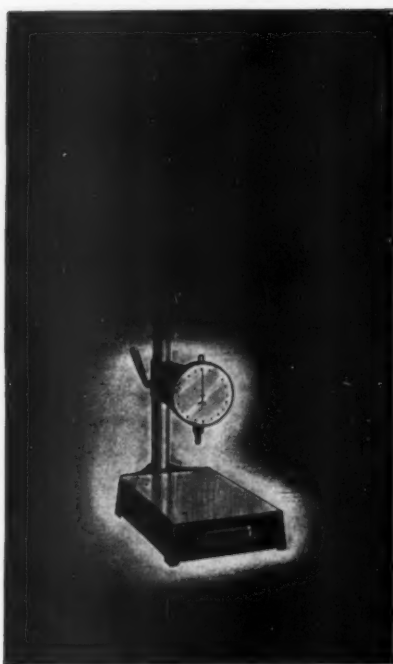
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# FINANCE

## Loosed Lenders

Sales finance firms, cut off from their main sources of business, have eyes on factoring, receivables, war financing.

With wartime restrictions squeezing them out of the instalment field, sales finance companies are looking around anxiously for new business to bolster their shrinking portfolios. At the end of 1941, finance companies held over \$2,000,000,000 worth of instalment paper. According to current estimates they will be lucky to have half that much at the end of 1942.

• **Handwriting on Wall**—Unless instalment selling is flatly prohibited, plenty of time-payment paper will be written this year in spite of steadily tightening restrictions. But even if the total comes close to last year's record of \$6,800,000,000, finance companies expect most of their share to evaporate. Their business was underwriting sales of durable consumers' goods; three quarters of it was in automobiles. For them, new restrictions merely underscore handwriting which has been on the wall ever since the ban on passenger-car production.

Department stores and other merchants can continue the system of low down payments and easy monthly instalments on furniture and soft goods. But with production of automobiles, refrigerators, radios, and other hard goods shut off, the best the finance companies can hope for is a moderate business in used cars and a share of the sales out of present stocks.

• **Temporary Cushion**—For the time being earnings are holding up to last year's level, the highest in history. Automobile paper, which carries a comparatively long maturity and which accounted for 74% of last year's business, is providing a temporary cushion.

The government order freezing dealers' stocks of new cars also gave finance companies an unexpected lift. Retailers who ordinarily move a car in about 30 days were forced to keep their stocks on the floor indefinitely. They promptly called on finance companies for help. As a result, the index of wholesale automotive credit jumped from 175 in December to 196 in January and then climbed to 234 in February. For some companies, the increase in credit to dealers more than offset the collapse of retail financing.

• **Paying Off Rapidly**—Now, however, the old paper is paying itself off rapidly,

and new business absorbs only a fraction of repayments. One large operator reports that its instalment business in the first quarter of this year was just half of 1941. Another displays a portfolio shrinking by about \$1,000,000 a day.

The two best prospects for new volume now are: (1) factoring and accounts-receivable financing; (2) war financing. Both offer alluring possibilities, and some enthusiasts expect them to pay out even better than the general public's passion for automobiles on the cuff.

• **Advances Against Sales**—Factoring and accounts-receivable financing are based on the principle of advancing money to a manufacturer against his sales. In factoring, the finance company buys outright the manufacturer's claim against his customer. In accounts-receivable deals, the company advances funds against the claim, retaining recourse in case the debt goes bad.

The manufacturer gets his money immediately instead of waiting 30 or 60 days for the merchant to pay up. The finance company makes a comfortable profit by borrowing funds from the banks at a low rate and passing them on to the manufacturer at a stiffer one.

• **A Big Field, But**—The potential of this field is virtually unlimited. According to the estimate of one experienced operator, there were about \$200,000,000 worth of open account sales in this country last year. And not more than \$2,000,000,000 were discounted with financing companies.

This doesn't mean, however, that as soon as the word gets around finance companies will stampede into factoring and immediately set up a flourishing business. Experts point out that factoring and receivables financing is a highly specialized, keenly competitive trade which requires experience and a well trained staff.

• **War Financing**—War financing offers similar opportunities and similar problems. Loans against government orders and financing of new facilities provide almost unlimited openings for

### Atlas Corporation

Dividend No. 23  
on 6% Preferred Stock

NOTICE IS HEREBY GIVEN THAT a dividend of 75¢ per share for the quarter ending May 31, 1942, has been declared on the 6% Preferred Stock of Atlas Corporation, payable June 1, 1942, to holders of such stock of record at the close of business May 14, 1942.

WALTER A. PETERSON, Treasurer  
April 30, 1942.

finance company money, but the big trouble here is government competition. Washington has committed itself to the principle of giving every essential producer all the credit he needs on convenient terms (BW-Apr. 4 '42, p. 75). Since most of their capital is borrowed from banks, there is a limit on how much finance companies can pare their rates in order to get new business.

How the finance companies make out from now on will depend largely on their individual adaptability.

• **Big Three**—In the past, about two-thirds of the instalment financing outside banks and department stores has been done by three companies: General Motors Acceptance Corp., Commercial Investment Trust, and Commercial Credit Corp. In addition, there are more than 1,000 smaller finance companies scattered over the country.

G.M.A.C., wholly owned by General Motors, was the largest company in peacetime business, although it financed only G.M. products. Volume of new business is now down about two-thirds. As yet it has made no attempt to take on new activities but the final decision will probably depend on the part assigned it in G.M.'s war work. Financing subcontractors is a possibility.

• **A Diversified Business**—Commercial Credit and C.I.T. both do a diversified business, and are now shifting the emphasis from instalment sales to war financing and factoring. Commercial Credit, for instance, did better than half of its new business in the factoring and accounts-receivable department in the first quarter of this year. In the same period last year this department accounted for only 25% of volume. Personal loans have also shown a swift rise, while automobile financing has tailed off.

Some of the independents also have factoring or receivables departments which can expand under the new pressure. Many others, however, did only an instalment business and are now faced with the choice between working into an entirely new line or trying to struggle along on what business remains for them.

• **Easy to Shut Up Shop**—In one respect, the picture is brighter than the gloomy earnings prospects make it appear. If the going gets too tough, a finance company can always close up with the minimum of loss and difficulty. It has no fixed assets except furniture, no investments that are not self-liquidating in a fairly short time. With this circumstance in mind, most companies have put call features in their bonded debt.

Any time profits get too slim, the company can let its portfolio run off, pay up its debts with the proceeds, and take down its shingle for the duration.



## ANCHOR FENCE GUARDS

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# THE MARKETS

This was annual meeting week on many corporation calendars. Most officials couldn't hold much hope for a profit or dividend boost in the face of rising tax and wage scales.

Big Steel held its "chicken to pumpkin pie" meeting in Hoboken, N. J., where officers and stockholders met to eat and talk. Chairman Irving S. Olds explained that uncertainties of the present times and advisability of maintaining a reasonably strong cash position will restrain any strengthened common-stock dividend. The company is making an exhaustive study of the after-effects of the war and the "unprecedented readjustments" which may follow its end.

• **About Dividends**—President James S. Adams, at a stormy Standard Brands meeting, told disgruntled stockholders that omission of the dividend on the common stock was "necessary to conserve working capital." Earnings in the first quarter of 1942 of \$1,490,000 were approximately 40% below the \$2,485,000 of the same 1941 period. The cash situation was so tight, in fact, that the company negotiated a \$10,000,000 five-year revolving credit. In order to be in a better position to enforce various contemplated economies, Adams sliced \$25,000 off his \$100,000 annual salary.

Radio Corp. did 6% better profitwise in the first quarter of 1942 than in the similar 1941 period but, as President David Sarnoff pointed out, final enactment of the 1942 tax law might necessitate upward revision of the reserves for taxes, proportionately lowering earnings. The war hasn't as yet hurt the radio business, as RCA's rise of 37% boost in gross business for the quarter indicates.

Interest in securities continues at a low level, notwithstanding a rally in stock prices. This rebound carried for

the six days before the fall of Corregidor in the face of pretty discouraging news from Burma. In fact, the market was not really much depressed by the news because the developments in Burma and in Manila Bay had been long anticipated and pretty well discounted.

• **Get Rich Quick Dept.**—Just to prove that people still have time to sit around and think up bright ideas, even in times like these, these items are offered:

A stockholder at the Radio Corp. meeting allowed as how the company could borrow money at 1½%, a rate lower than could be obtained by most of its stockholders, so why shouldn't the company borrow more money to distribute in the form of dividends?

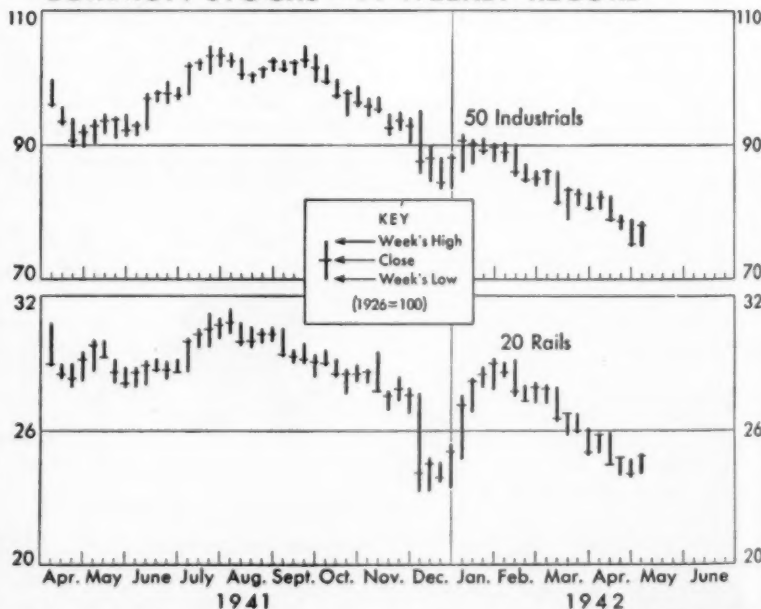
And some Wall Street traders think they have a new inflation hedge. They are putting part of their money into railroads' low-grade bonds and into common stocks of the same roads on a 50-50 basis. If roads do well, they figure both classes of securities should appreciate; if there is whirlwind inflation, the carriers ought to be able to pay off their bonds in depreciated currency, leaving stockholders sole owners of the properties.

## Security Price Averages

	This Week	Month	Year
	Week Ago	Ago	Ago
<b>Stocks</b>			
Industrial ...	78.2	75.2	82.4
Railroad ...	24.9	24.1	25.8
Utility ...	29.8	27.6	29.8
<b>Bonds</b>			
Industrial ...	106.8	107.5	106.4
Railroad ...	88.4	88.2	89.4
Utility ...	102.4	102.4	102.5
U. S. Govt. ...	110.6	110.1	110.7

Data: Standard & Poor's Corp. except for government bonds which are from the Federal Reserve Bank of New York.

## COMMON STOCKS—A WEEKLY RECORD



Data: Standard & Poor's Corp.

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## Selling the Bonds

Treasury tries open-end or  
issue with indifferent success.  
Financial community gets set for  
still greater effort.

The United States Treasury Department this week successfully completed one of its largest new money financing deals despite innovations that discouraged many potential customers. The Monday offering of \$1,250,000,000 of 2½% bonds of 1951, callable in 1949, was readily oversubscribed several times, because they were just what the commercial banks wanted.

**Slow Movers**—The offering of registered 2½% bonds of 1967, amount of which is not specifically limited and upon which subscription books still are open, was so burdened with ifs and whereases that it held little attraction for the banks, insurance companies, trusts, and individuals, for which it presumably was designed.

The long-term securities of the open-end issue cannot be transferred for 60 days. Commercial banks cannot buy them until 1943, when the bonds first will be issued in coupon form. The bonds may be pledged as collateral for loans, but any commercial banks acquiring them upon default of such loans must dispose of them. Even their legality as insurance company investments in New York and several other states has been questioned.

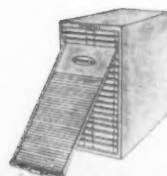
**Bigger Push**—Meanwhile, the financial community's organization to help Secretary Morgenthau market his war-financing securities is growing by leaps and bounds. Typical was last Monday's meeting in the governor's room of the New York Stock Exchange at which the Big Board president, Emil Schram, urged on assembled brokers their duty to do a "great job." Later in the week, representatives of the exchanges, the Assn. of Stock Exchange Firms, the Investment Bankers Assn., and the National Assn. of Securities Dealers met to draft plans for future issues.

Commercial bankers, at the same time, are deeply interested in pushing public sales. The banking system will be called upon to underwrite whatever part of the war effort is not financed by other investors, and this was the main topic of discussion at the spring meeting of the American Bankers Assn.

**Scope of Problem**—Bankers now expect to be called upon to buy up to \$30,000,000,000 of government bonds in the fiscal year ending June 30, 1943. That would pump up deposits by a similar amount, creating an additional base for inflation. If bankers can talk their depositors into buying more and more war bonds, it's one more brake.

## The NAVY whelps warbirds

### KARDEX PERSONNEL-TRAINING RECORDS



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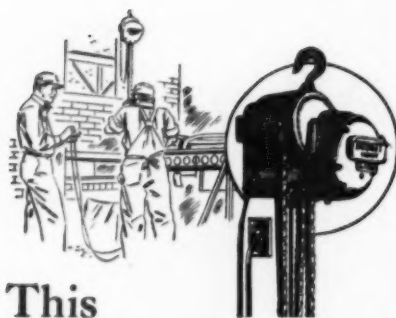
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## POLITICS?

I find Business Week's interpretation of political trends far more accurate than most of the highly vaunted services.

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# COMMODITIES

## New Cotton Peg

Henderson freezes textile prices by abolishing old sliding-scale arrangement. Plan allows for staple at 20.37¢ a lb.

Since establishment last June 27 of the first maximum prices on cotton fabrics, there has been a profusion of price orders. Ceiling levels have been pushed up, provisions broadened and changed. The new General Maximum Price Regulation, however, establishes a more permanent and inclusive schedule.

• **Ends Sliding Measure**—Until this week, the ceiling price of textiles was permitted to climb automatically as the

price of spot cotton rose. Under the new rule, fluctuation of the raw cotton price won't affect the ceiling on cotton textiles. The new maximum will be that which the sliding scale would permit with the spot cotton basis pegged at 20.37¢ a lb., the highest quotation registered for actual cotton sold at the ten leading southern terminal markets last March.

Price Administrator Leon Henderson believes that these limits will still permit sufficient profits to manufacturers even after a "reasonable" rise in the price of raw cotton. The agricultural section of the Emergency Price Control Act of 1942 forbids the Price Administrator to establish a ceiling price on cotton which would return to the farmer less than 21.47¢ per lb., equivalent to a ten-market spot price of 22¢ per lb.

## Farm Price Tug of War

Here is the argument between Roosevelt and the farm bloc. The President has suggested full parity prices for farm products as a fair minimum level at which to stabilize the agricultural sector in an over-all price freeze.

Farm senators and congressmen, having immunized farm prices through the Emergency Price Control Act against any ceilings below the

highest of (1), (2), (3), or (4) below, are unwilling to give up this position won for their farm constituents.

Under the present law, market prices of only six farm products on Apr. 15 had moved up beyond the point at which they were safe from Henderson. Under the President's proposal eleven products on Apr. 15 would have been high enough to invite ceilings.

Commodity	Unit	Ceiling under present law	% Change to bring current price in line with			
			4/15/42 Parity	4/15/42 Actual	Present law	4/15/42 Parity
Cotton	¢ per lb.	21.47 (4)	18.72	19.03	+13	- 2
Cottonseed	\$ per ton	50.36 (2)	34.05	43.90	+15	-22
Wheat	¢ per bu.	146.9 (1)	133.5	99.7	+47	+34
Corn	"	106.6 (1)	96.9	79.7	+34	+22
Oats	"	66.2 (1)	60.2	51.8		
Barley	"	102.9 (1)	93.5	61.5	+67	+52
Rye	"	119.6 (1)	108.7	60.7	+97	+79
Rice	"	143.9 (3)	122.8	178.1	-19	-31
Flaxseed	\$ per bu.	2.81 (1)	2.55	2.41	+17	+ 6
Beans	¢ per lb.	5.77 (4)	5.09	4.45	+30	+14
Potatoes	¢ per bu.	124.5 (4)	107.0	116.2	+ 7	- 8
Sweet potatoes	"	145.9 (1)	132.6	102.4	+42	+29
Hay	\$ per ton	19.71 (1)	17.92	11.13	+77	+61
Peanuts	¢ per lb.	7.98 (1)	7.25	6.25	+28	+16
Apples	\$ per bu.	1.60 (1)	1.45	1.41	+13	+ 3
Hogs	¢ per lb.	12.08 (1)	10.98	13.48	-10	-19
Beef cattle	"	9.38 (3)	8.18	10.71	-12	-24
Veal calves	"	11.22 (3)	10.19	12.22	- 8	-17
Lambs	"	11.12 (4)	8.88	10.83	+ 3	-18
Butter	"	42.8 (4)	38.5	33.9	+26	+14
Butterfat	"	44.0 (4)	39.6	37.0	+19	+ 7
Milk (wholesale)	"	2.66 (1)	2.42	2.38	+12	+ 2
" (retail)	¢ per qt.	11.4 (3)	10.3	11.6	- 2	-11
Chickens (live)	¢ per lb.	21.1 (4)	17.2	18.4	+15	- 7
Turkeys	"	28.8 (4)	21.7	19.8	+45	+10
Eggs	¢ per doz.	34.1 (3)	26.6	25.6	+33	+ 4
Wool	¢ per lb.	37.1 (3)	27.6	39.2	- 5	-30

(1) 110% of 4/15/42 parity  
(2) 10/1/41 actual price

(3) 12/15/41 actual price  
(4) 7/19-6/29 average price

Current ten-market average price is around 20¢.

**Inclusive Regulations**—Regulations will apply up and down the line from spinners of the yarn, through weavers of the cloth and finishers of the woven fabric, to the retailers. The Office of Price Administration has learned that ceiling prices on only selected items tend to induce widespread shifting of goods from ceiling to nonceiling commodities; therefore the new regulations embrace nearly all cotton textiles.

From July 21, 1941, to Mar. 27, 1942, the price ceilings on print cloth, sheeting, tobacco cloth, carded and combed broadcloth, and osnaburg were lifted an average of 11½%. But during the same period a 21% advance occurred in the average prices of non-ceiling goods.

**Margins Fixed**—The new OPA Maximum Price Regulation No. 127 establishes maximum margins which converters may get on finished piece goods. Maximum net selling price, f.o.b. seller's point of shipment, for finished piece goods shall be the aggregate sum of (1) basic grey goods cost, (2) grey goods freight, (3) working allowance for mixed materials (part rayon, etc.), (4) vertical organizations, or any new construction or new finishing process, (5) finishing cost, and (6) "put-up" charge.

Operation under such margins is possible only if the various finishing costs are stabilized, the OPA believes. Therefore new Regulation 128 sets the Mar. 16 to Apr. 15, 1942, prices as ceiling for each processor for each particular service in processing piece goods made of cotton, rayon, and their mixtures as they are converted from the unfinished "grey" state into finished piece goods.

## Hurried Hens

Egg speedup gets results, but experts are beginning to wonder if strain isn't telling on health of poultry.

The hen that laid 84 eggs in 1909 would have laid 110 in 1941, and this year, with hen house lights on a little later and food pressed into craws a little faster under war urgencies, the same hen will probably do even better. Since 1935 egg production per hen has risen from 95 to 110.

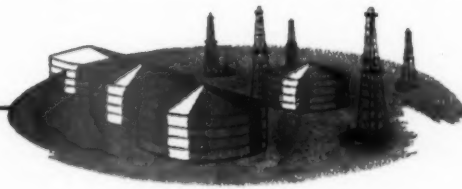
Today 381,000,000 American hens are producing 5,715,000,000 more eggs than they would have in 1935, or about eight times the poundage of lend-lease eggs bought by the Agricultural Marketing Administration for shipment in the eleven months up to Apr. 1.

It is a much debated question in poultry circles whether the speedup system in the hen house is not going faster and

# OIL

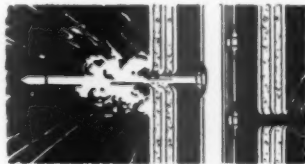
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farther than the physical stamina of the poultry race can stand. Rich food, late nights, and fascist standards of reproduction, at least as far as the egg stage, may be reflected in the heightened susceptibility of today's chickens to disease and discomfort. Moreover, the lively pace may be affecting egg characteristics aside from quantity. Poultry men now say modern hen eggs don't stand cold storage as well as eggs from the old-fashioned, free-lance layers. In apparent support of that contention, the Chicago Mercantile Exchange has introduced a new September contract in egg futures permitting earlier and more liberal out-of-storage delivery of refrigerator stand shell eggs.

## MORE FOR MANGANESE

With establishment of OPA's ceiling on ferromanganese as of May 1, the metals trade relievedly detected compassion in the heart of Washington. Ferromanganese, essential deoxidizer and desulfurizer in steelmaking, had been living an orphan existence for seven months at \$120 a ton, a price set by voluntary agreement among producers at the request of the OPA. Meanwhile, cost of the main ingredient, manganese ore, had been rising steadily with ocean shipping costs until ferromanganese sellers appealed to Washington for relief as soon as the semiagreement expired on Apr. 15.

When Henderson's general price order was issued and ferromanganese was noted as subject to a special order, and when it was announced that the price would be the Oct. 1 to 15, 1941, average, which was just what the voluntary agreement specified, sellers envisioned permanent despair. At that low point the OPA explained that the October figure would be only the base price, and set the new ceiling at \$135 a ton. Psychologically it was a good time to warn the steel industry that this boost in the price of ferromanganese should mean nothing to steel prices, since the difference amounted to only 2% in final steel costs.

## FOR HARVEST

The balance between material shortages and need for farm equipment to step up food production with diminished farm labor has been established for this season. By relaxation of ratings for manufacture of all important general farm machinery in mid-April, WPB probably loosened implement production enough to stock dealers adequately for this year's harvests, even though the A-1-a ratings granted expire June 30. Also discontinuance of rubber on farm equipment, ordered for Apr. 30, exempted combines up to July 31. By that time, this year's combines should be taken care of, which is important since new combines will have to be changed radically when they go back to steel wheels.

# THE TRADING POST

## Our First "Must"

A letter from the vice-president and treasurer of a public utility company:

I have personally been impressed in my contacts and conversations with my associates by the need of education for management and business men. I can't help feeling that many business men are hoping to see the war to turn the clock back in connection with the New Deal and governmental policies with which they have been in disagreement from the beginning. The present labor argument is an indication of the sort of thing I have in mind.

I have never been a sympathizer with the New Deal and believe that we are paying a heavy penalty for grave errors the New Deal has made in handling the labor situation. But I believe that at this time correction must come at the top rather than through further internal strife between management and labor, fought out in the legislative halls. I believe that, regardless of the economic outcome (which may be pretty bleak), our first "must" is winning the war, and management must, regardless of personal feelings, definitely align itself behind the Chief Executive. That does not mean that we give up our right to criticize, comment or attempt to influence policies, but it does mean that we should look forward rather than backward, and that any criticism, comment, or influence which we might use should be carefully thought out.

I believe the only salvation to which business as constituted today may look is trying to get in step with the obvious social trend. I say "obvious"—obvious to thinking and informed men.

I have personally been in an executive capacity in business for more years than I like to count, and have been a proprietor of a small business myself. I have worked with and against labor, and these views are expressed, not with the idea of taking sides in any way with broad social questions, but with the hope that it is going to be possible to develop amongst many of my contemporaries the more constructive outlook that seems to be so necessary.

## Government Workers at War

A letter from Abram Flaxer, president of the State, County, and Municipal Workers of America:

I was extremely interested in the article carried in the April 4th issue of Business Week, "A-B-C's of British Labor Policy". The answers to the questions posed are indeed very timely and interesting to labor and management alike, and the article fills a definite lack in information concerning labor policy in our sister democracy.

It was, however, somewhat disappointing to me that your study of British labor policies included no mention of labor relations between local governments and their employees. Little enough is known about this relationship in our own country, and practically nothing is known about the comparable situation in England. As local government—cities, counties, states and their sub-

divisions—takes over more and more of the functions previously administered by private companies, wage and hours standards, and the whole problem of labor relations between the government and its employees, become the vital concern of a greater body of the public. No longer are labor relations the particular concern of the industry: they affect the entire population, through its interest in quality of service, the repercussions on taxation, etc. The employees of government on a local scale have, too, considerable effect on production industry, as, for example, the maintenance of first-rate public service.

I think, therefore, that it would be of wide interest to your readers to show how the vast body of local government workers fits into the general labor scheme in England. Specifically, it would be interesting to know under what restrictions such workers are placed; what type of labor legislation does and does not apply to these workers, what has been their situation with regard to wage increases, working hours, transfer to industry; women workers; cooperation between the unions of these employees and their government administrations.

## Storing Up Tax Money

Frank Rising, general manager of Automotive Parts and Equipment Manufacturers, Inc., writes as follows:

Your recent comments on Edgar M. Queeny's proposal for severance-pay pools skirts another problem but doesn't hit it. I wonder if you've given it any thought.

Income tax is the tax for a lot of people. Some 99.96% of them, I suppose, pay last year's income tax out of current income; a very few manage to get squared away so that this year's income pays this year's taxes.

One man here in town, boss of a big retail store, has been spending a lot of time convincing his executive staff that each man should budget the tax payment for next March now, and set some aside each payday. By questioning several other men, I've found quite a number who are doing this. But they are all highly-paid people who think about it a great deal. The smaller-paid people, I suspect, don't think about it or, if they do, don't do anything.

More important, then, than severance pay (which would in most cases be minimum allowances for daily bread during job-seeking) is the problem of finding a way for the individual to store up tax money against the day when his income dives.

An example: One of the armed services tenders a commission to a man I know who is badly needed because of his expertness in his line of work. He got \$18,000 as his 1941 wages. His income tax to be paid in 1942 is between \$3,000 and \$4,000. He is patriotically anxious to take the commission—which will bring his pay down to a point where his 1942 tax payment will take all of his 1942 income.

What's more, this is only the beginning. Millions of us will neglect to do anything about this, even if we foresee it. Some day millions of us may either lose our jobs or take large cuts in income. What then? W.C.

## FIND THE ANSWER



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# THE TREND

## THE RACE AGAINST AMERICA

Nobody really knows the war potential of any nation. Here, in the United States, we are constantly raising our sights—as we build new plants, as we curtail production of consumer goods. Right now, we are turning out supplies for the armed forces at the rate of \$36,000,000,000 a year. By May, 1943, we'll be turning out tanks, planes, ships, uniforms, ammunition, at a rate of about \$70,000,000,000 to \$80,000,000,000. Yet, when France fell, our war production was at an annual rate of \$1,800,000,000. Thus, already we have boosted our war output twenty-fold. And it's to double again!

• And it is this, America's enormous production potential, that dominates the war, that determines the strategy not only of the United Nations but also of the Axis powers. It forces Hitler and Hirohito to take risks they might not ordinarily take. They must race against the day when America's productive machine will have attained its full might, against the day when the shipping capacity to move the goods to destroy the Axis will be sufficient for the task. And so, whether his preparations are adequate or his army refreshed, Hitler, some time this spring or summer, must launch an all-out drive into Russia and the Caucasus. Similarly, Emperor Hirohito's armies must continue to reach out to make a juncture with the German forces. They cannot afford to stop. Economic necessity dictates their military strategy.

War Production Chief Donald Nelson called the economic turn—and hence the military strategy—when he noted last week that finally the United States, Great Britain, and Russia had surpassed the Axis in arms output.

Now by no means does Mr. Nelson know, down to the plane, tank, or shell, what the Axis powers are producing; but he has a fair idea. For the peacetime productive capacity of Germany and Japan has been general knowledge for years. And it is only a matter of careful economic analysis and time-taking statistical computation to translate this peacetime potential into reasonably close estimates of war production.

• It's true that all sorts of inexactitudes enter into any comparison of Axis vs. United Nations strength. The United States and Germany are not spending their energies on the same type of output. We're building ships and factories, whereas most of the German war expenditure goes directly into combat planes, tanks, etc. Moreover, there are countless economic differences between nations. Is our industry more mechanized than Germany's, Japan's, or Italy's so that we obtain more output per manhour? But aren't U. S. pay scales higher, so that the Axis gets more hours of work per dollar than we do?

Despite those differences, it is still possible to work up a comparative measure of war-production prowess. It won't be perfect, but it will be indicative. And it is undoubtedly some such overall comparison that Mr.

Nelson had in mind when he declared that at last the United Nations were outproducing the Axis. Here—to be used only as guide, not as gospel—are Business Week's approximations of current annual war output in dollars.

Axis	United Nations
Germany * .. \$45,000,000,000	Great Britain \$20,000,000,000
Japan ..... 10,000,000,000	Russia ..... 15,000,000,000
Italy ..... 6,000,000,000	United States. 36,000,000,000
Misc.** ..... 4,000,000,000	Misc.† ..... 4,000,000,000
Total ..... \$65,000,000,000	Total ..... \$75,000,000,000

\* Includes conquered countries, France, Belgium, etc.

\*\* Includes Rumania, Hungary, Finland, etc.

† Includes Canada, Australia, India, etc.

• Considering this country's long overseas haul to the battle zones, that \$10,000,000,000 or 15% superiority is hardly enough to win the war. However, a year from now, our war output will be \$70,000,000,000, if not higher and the ratio would change to \$109,000,000,000-to-\$65,000,000,000—with overwhelming consequences for the Axis, which already is straining at capacity.

Yet that does not mean the Axis is licked. Hitler and Hirohito can still redress the economic balance. If they conquered Russia, these things would happen: (1) the United Nations would lose \$15,000,000,000 of war potential; (2) the Axis would gain a war potential (after scorched-earth) of, say, \$10,000,000,000. And then, even granting an eventual \$70,000,000,000 annual output for the United States, the ultimate production dynamic would be basically altered: \$94,000,000,000 for the United Nations to \$75,000,000,000 for the Axis.

Nor is that all. In crushing Russia, Germany and Japan would raise their economic potential possibility another 10% to 20%. For such a military success would open up an Axis line of communication through the Middle East. Then, Germany would have access to oil and Japanese rubber and tin. Japan, in turn, might be able to get Germany's iron ore, steel, and machinery. Such a complementary trade would lift the overall Axis potential to perhaps as much as \$85,000,000,000. That, arrayed against the United Nations' \$94,000,000,000, would imply a stalemate war—in short, Axis consolidation of its gains in Europe and the Far East.

• Thus, the coming campaign is military in nature, but economic in purpose. The Axis must strive—at all costs—to attain production parity. Germany and Japan are forced to race against time, against the month-by-month expansion in American war output: \$150,000,000 in June, 1940; \$800,000,000 a year later; \$1,500,000,000 in October; \$3,000,000,000 today. And probably \$6,000,000,000—\$72,000,000,000 a year, or more than the entire Axis output today—early in 1943.

That's what's forcing the military issue this spring.

The Editors of Business Week

Business Week • May 9, 1942



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